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TABLE OF CONTENTS

	<i>Page</i>
I. Articles	1
Deficit financing for economic development with special reference to ECAFE countries ..	1
The application of multiple exchange rates in selected Asian countries	19
II. Asian economic statistics	39
III. Trade agreements negotiated and/or finalized during the third and fourth quarters 1954	60
IV. Corrigendum	61

DEFICIT FINANCING FOR ECONOMIC DEVELOPMENT WITH SPECIAL REFERENCE TO ECAFE COUNTRIES

I. INTRODUCTION

The rate at which capital formation has been taking place in many ECAFE countries has not been high enough to permit a significant rise in the level of living; in some cases, it has not been even sufficient to keep pace with the increase in population. After the second world war, governments, having become aware of this fact, are taking steps to augment capital formation both in the public and private sectors. This development represents a definite departure from the pre-war policy of most governments of ECAFE countries especially those that were not self-governing, which concerned itself mainly with the maintenance of law and order and paid insufficient attention to problems of economic development. In the meantime, many factors have been and are hindering the growth of private investment in the region, e.g. lack of a well-organized capital market, lack of interest in joint stock investment, lack of experienced entrepreneurial class, doubt as to the steadiness of domestic demand, fear of competition from foreign products, and lack of confidence in political and economic stability. Consequently, even with government encouragement, private investment cannot be solely relied upon to bring about speedy economic development. This is true especially in the basic fields such as irrigation, transport and power, for which government action in the form of direct investment, grants and loans is found necessary.

The ability of many ECAFE governments to raise sufficient revenue to finance economic development at the desired rate is, however, limited on account of the under-developed tax and accounting systems and inadequacy of the administrative machinery. Governments are, therefore, now considering the possibility of using deficit finance for the purpose of securing rapid economic development. The view taken is that the government has to choose between stagnation with gradually deteriorating living conditions and development even at the cost of inflation. The idea is strengthened by the experience during the war when most governments mobilized large resources through deficit financing. With most of the ECAFE countries achieving indepen-

dence after the war and with the increased facility for comparison between the levels of living in different countries, people in Asia are becoming more conscious of their unfavourable economic conditions and the responsibility of the government for improvement.

Table 1 shows some statistics relating to capital formation in a few ECAFE countries. Japan, with a net capital formation of 20 to 26 per cent of national income, and Burma to a lesser extent, have a rate of capital accumulation sufficient for improving the level of living. The rate of capital formation in the Philippines is too small to provide a significant improvement in the level of living, taking into account the required output-capital ratio and the increase of population. According to the latest study for 1951 and 1952, there was practically no net capital formation in Indonesia.¹

Of the gross capital formation, a substantial proportion belongs to the public sector. The percentages of the gross domestic capital formation in the public sector, not including private capital formation based on grants and loans of the government, are, on the average, about 44 for Ceylon, 32 for Burma, 30 for Japan, and 21 for the Philippines. The figures for Indonesia in 1951 and 1952 are more than 40 per cent. Expenditures for such capital formation amount to about 41 per cent of total government expenditure in Japan, 32 per cent in Burma, 30 per cent in India, 28 per cent in Ceylon, 20 per cent in the Philippines and 15 per cent in Indonesia.

The percentages of the expenditure on gross capital formation of the public sector financed by government deficit, based on national income statistics, were 30 to 95 in India in 1948-1950. The same percentage varied from 4 to 100 in the Philippines in 1948-1951. In Burma and Japan where there used to be a government surplus, capital formation of the public sector generally does not depend on government deficits.

1. Neumark, S. Daniel, "The national income of Indonesia, 1951-1952", *Ekonomi Dan Keuangan Indonesia*, June 1954.

TABLE 1

GROSS NATIONAL PRODUCT, CAPITAL FORMATION AND PUBLIC FINANCE

Year	Gross national product at market price	Gross domestic capital formation			Provisions for capital consumption	Net capital formation	Net national product at market price	Total expenditure by public sector	Deficit of public sector (Investment less current saving)	Gross capital formation as % of gross national product (4)/(1) x 100	Net capital formation as % of net national product (6)/(7) x 100	Capital formation of public sector as % of total capital formation (2)/(4) x 100	Capital formation of public sector as % of its total expenditure (2)/(8) x 100	% of capital formation financed by deficit (9)/(2) x 100
		Public sector	Private sector	Total										
Burma (million K)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1947 . .	2,966	238	243	481	197	284	2,769	497	151	16	10.3	49	48	63
1948 . .	3,551	106	496	602	205	397	3,346	386	-211	17	11.9	18	27	nil
1949 . .	3,221	49	211	260	205	55	3,016	356	-96	8	1.8	19	14	nil
1950 . .	3,124	28	291	319	213	106	2,911	349	-168	10	3.6	9	8	nil
1951 . .	3,682	177	299	476	228	248	3,454	495	-168	13	7.2	37	36	nil
1952 . .	4,079	274	469	743	245	498	3,834	669	-144	18	13.0	37	41	nil
1953 . .	4,522	450	420	870	255	615	4,267	962	-28	19	14.4	52	47	nil
Ceylon (million Rs)														
1947 . .	2,562	32	98	130	..	..	..	352	..	5	..	25	9	..
1948 . .	2,903	70	105	175	..	..	..	422	..	6	..	40	17	..
1949 . .	3,142	123	153	276	..	..	..	517	..	9	..	45	24	..
1950 . .	4,159	213	222	435	..	..	..	600	..	10	..	49	36	..
1951 . .	4,782	224	332	556	..	..	..	635	..	12	..	40	35	..
1952 . .	4,572	307	302	609	..	..	..	779	..	13	..	50	39	..
1953 . .	4,664	314	245	559	..	..	..	849	..	12	..	56	37	..
India ('000 million Rs)														
1948 . .	..	2.1	..	..	..	..	90.6	8.5	2.0	..	..	..	25	95
1949 . .	..	2.7	..	..	..	..	94.6	8.1	1.1	..	..	..	33	41
1950 . .	..	2.7	..	..	..	..	100.3	8.3	0.8	..	..	..	33	30
Japan ('000 million Y)														
1946 . .	474	30	76	105	24	81	450	85	-7 ^a	22	18	28	35	-22
1947 . .	1,309	146	199	345	57	288	1,252	248	59 ^a	26	23	42	59	40
1948 . .	2,666	258	494	752	108	644	2,558	540	69	28	25	34	43	27
1949 . .	3,375	299	532	831	158	673	3,217	692	-72	25	21	36	43	nil
1950 . .	3,971	189	799	988	220	768	3,751	722	-58	25	20	19	26	nil
1951 . .	5,541	424	1,258	1,682	298	1,384	5,243	1,054	-43	30	26	25	40	nil
1952 . .	6,172	435	1,244	1,679	361	1,318	5,811	1,142	-31	27	23	26	38	nil
Philippines (million P)														
1946 . .	4,815	14	370	384	265	119	4,550	373	113 ^a	8	2.6	4	4	807
1947 . .	6,139	53	645	698	290	408	5,849	458	-35	11	7.0	8	12	-66
1948 . .	6,369	110	631	741	315	426	6,054	512	27	12	7.0	15	21	25
1949 . .	6,339	195	468	663	325	338	6,014	643	150	10	5.6	29	30	77
1950 . .	6,875	211	381	592	335	257	6,540	684	173	9	3.9	38	31	82
1951 . .	7,702	158	398	556	370	186	7,332	694	9	7	2.5	28	22	6
1952 . .	7,925	162	424	586	390	196	7,535	755	-37	7	2.6	28	21	nil
1953 . .	8,356	163	534	697	432	265	7,924	769	39	8	3.3	23	21	24

a. Provisions for capital consumption for public sector not available. Figures relate accordingly to gross capital formation less net saving of public sector; the deficit shown is, therefore, overstated to the extent of the provision made for capital consumption by the public sector.

Government intervention in the field of development may take different forms, e.g. direct government investment or promotion of private investment. There may be a mixed economy where government enterprises exist alongside with private enterprises; enterprises requiring considerable capital, technique and foresight may be established by the government for subsequent transfer to the private sector; or private enterprises may be subsidized or financed by government funds in the form of grants or loans. Deficit finance, which may be applied to all these forms of investment, may give rise to two types of effects—a fuller utilization of resources and a re-direction of private saving to the hands of the government. Whether forced saving by deficit finance is desirable depends on a number of circumstances, including the degree of government intervention desired, the relative size of the planned sector and the unplanned sector, the relative size of the sector to be financed by government funds (including direct investment, grants and loans) and the rest of the economy, the relative emphasis on rapid development versus welfare considerations, availability of resources, etc. If private investment is mainly relied upon and there are abundant resources sufficient for the expansion of both the planned and unplanned sectors, government policy may aim at an encouragement of private investment in general with special inducements to investment in specific fields. An increase of profit margin arising from a gradual rise of price level and a change in relative prices in favour of entrepreneurs resulting from deficit finance may increase the inducements to invest and accelerate the rate of development. The tendency of money wage rates lagging behind commodity prices, which helps to enhance profit margin and private savings, may imply a re-distribution of income against wage earners, and may not be favoured by governments adopting the principle of welfare economics. But with economic development, productivity of labour will ultimately improve and both money and real wages may increase. Governments depending primarily on the private sector for investment have to choose between stagnation and rapid development, which calls for temporary sacrifice by the wage class and results in certain concentration of income. It should be remarked, however, that enterprises flourishing during a rising price level, or depending on a rising price level for their existence, may not always be efficient and may face difficulty in readjusting themselves when prices are stabilized, or when the rate of inflation slows down. On the other hand, if the available resources are very much limited, if the planned sector for development is relatively large and if government financing of development expenditure is important, then government policy should aim primarily at transferring real resources from the

unplanned sector to the planned sector, and private investment in the unplanned sector should be discouraged. Deficit finance resulting in a rise of general price level which would increase the incentive to invest in all fields and thus reduce the amount of resources which might be transferred to the planned sector, especially to the sectors to be financed by government funds, should as far as possible be avoided.

This paper studies the conditions under which deficit finance may be resorted to achieve a given aim and ways and means by which detrimental effects of inflation arising from budget deficit may be minimized.

II. METHODS OF FINANCING BUDGET DEFICIT

Various definitions have been used for budget deficit by different countries and for different purposes. For the present study, budget deficit may broadly be considered as the excess of total government expenditure over government revenue. In other words, it equals net increase in government borrowings plus net decrease in government lending and government cash balance. The concept may also be considered as net reduction of cash and claims.

Any means to raise funds to finance government expenditure, whether by taxation, by borrowing or by increase of note issue, aims to transfer real resources from the private sector to the government. It has sometimes been conceived that provided the development expenditure may increase production, deficit finance for this purpose may not require transfer of resources but will improve the utilization of resources, or increase the availability of resources. However, unless there is idle capacity and a reserve of trained personnel, no expenditure may immediately increase production. Except in Japan, countries in the region are always short of production equipment and trained personnel. During the time interval between the expenditure and the increase in production, therefore, real resources must be transferred to the government to finance its expenditure. Effects on the economy of different means to finance the government expenditure differ, therefore, according to whether, during the interval between expenditure and increase of production, private expenditure will decline correspondingly to facilitate the smooth transfer of real resources to the government without going through the price mechanism. In other words, it depends on whether, during the interval indicated, total effective demand is increased because of the government expenditure.

Whether the government succeeds in transferring resources without price changes depends to a very great extent on the magnitude of the deficit as compared with

the national income, the special means chosen to finance the deficit, the technique of raising the money by the chosen means, the direction of the government expenditure, the availability of stocks and foreign exchange resources as cushioning factors, the availability of unemployed resources, the elasticity of and time lag in the production of goods and services, the presence of other disturbing factors, the state of expectation at the moment, the social and economic institutions of the country, the efficiency of administrative and control machinery, etc. If the transfer of resources required forced saving through price increases, then the volume of forced saving that would result from a given government deficit and the change in private investment that would follow would both remain unpredictable. The actual transfer of real resources to the government is therefore unknown. With price increases, government expenditure will expand, but specific duties will not increase according to the rate of increase in price. There is a possibility that the transfer of real resources thus affected falls short of the planned objective and a further increase of the budget deficit may have to be necessary.

In the following, a study will be made of the effect of various means of financing budget deficit on aggregate demand, and their effectiveness in re-allocating real resources in the desired direction, when these means are used to cover the budget deficit.

Budget deficit may be covered by the following financial means:

- (a) In foreign exchange
 - (i) Net borrowing from abroad
 - (ii) Cash deficit abroad: use of foreign exchange holdings
- (b) In national currencies
 - (i) Net borrowing from the public
 - (ii) *Cash deficit at home*
 - a. Use of cash balance
 - b. Net borrowing from the central bank
 - c. Issue of currency notes directly by the government.

The ability and willingness of the government to use a certain method to finance the budget deficit is determined mainly by its practical feasibility.

Financing budget deficit by foreign exchange resources, whether by the use of *foreign exchange holdings* or by a *net borrowing from abroad*, provides additional available means in real resources and helps to finance the balance of payments deficits. If the government uses the foreign exchange to import goods and services

from abroad, effective demand in the home market is not increased. But, if the government sells the foreign exchange to a note issuing authority for financing its home expenditure, effective demand and income will expand. The initial rise in demand in the home market, however, may be diverted to demand for additional private imports from abroad, provided that such imports are not restricted by exchange control or import quotas. Selling of foreign exchange by the government for hoarding of the private sector reduces private expenditures on goods and services, thus effecting a transfer of domestic real resources to the government, at the cost of reducing the command of the government on foreign resources.

One of the most useful methods to finance budget deficit is *borrowing from the public* in the domestic market. Insofar as it reduces private spending, it transfers real resources to the government. Borrowing from commercial banks results typically in a decline in the liquidity of the banks, that is to say, in the ratio of cash holdings to deposits received from the public. This type of borrowing will, therefore, tend to reduce commercial bank lending to the private sector unless the banks reduce the reserve ratios. Reduction in the liquidity of the banking system can be enhanced if the government bonds are no less attractive than private securities or if the government makes the subscription to government loans by commercial banks compulsory.

Whether borrowing from private individuals releases sufficient amount of real resources for government use depends on whether the private individuals are reducing their expenditures correspondingly. The difference between taxation and borrowing is that, the former, being levied mainly on current income, may reduce to a greater extent private consumption expenditure, while the latter, without changing the networth position of the individuals, may reduce to a greater extent private investment in real assets. Both increase the portion of private saving which becomes available for transfer to the government. However, since taxation on current income and capital levies are compulsory while borrowing is voluntary, there is generally a greater tendency on the part of people who possess liquidity to purchase bonds than for those who do not command sufficient liquidity. If the subscribers use a portion of their currency holdings to purchase the bonds, reduction of private spending will be less than the bonds purchased by them. If the subscribers reduce their deposits with banks, it will also reduce the liquidity of commercial banks.

According to the above analysis, expenditures based on borrowing generally increase aggregate demand more than expenditures based on taxation. Nevertheless, there

is a limit to the expansionary effect of expenditures based on borrowing, provided that the central bank does not make the supply of money elastic, especially by placing a limitation on borrowing from the central bank against government securities as collateral, which as a matter of fact is an indirect borrowing by the government from the central bank. As soon as such borrowing takes place, the government loan which is financed by it is no more genuine borrowing from the public, and its effect is the same as cash deficit at home.

Methods to offset the expansionary effect of borrowing from the public may include excess borrowing, i.e. borrowing more than is sufficient to cover the budget deficit so that a part of the cash holdings released from the private sector may be frozen by the government; increase in the reserve requirements of banks; restriction on rediscounts and other types of economic controls.

In many ECAFE countries, however, because of the undeveloped nature of capital markets and the small magnitude of individual saving, large purchase of government bonds by individuals is usually not expected, although government savings institutions (including postal and other small saving schemes) which have been established in most countries of the region to mop up individual savings may prove very useful.

Cash deficit at home, which includes issue of currency notes, borrowing from the central bank or utilization of cash balance, does not lead to a direct transfer of purchasing power from the public to the government. Government expenditure financed by such means simply adds to the existing effective demand. In fact, where the banking system is fairly developed, one would expect to find that with government expenditures financed by these methods, cash reserves of commercial banks would increase rapidly. The increased liquidity in the banking system could lead to additional commercial bank credit to the private sector for increased private investment, thus further enhancing the aggregate effective demand. Unless foreign resources are available to increase imports in relation to exports, or employment of the unemployed or under-employed resources may increase production sufficiently and fast enough to meet the increased effective demand, competitive spending between the government and the private sector on the existing level of production, or on the insufficiently increased level of production, will in due course result in a rise of price, unless there is a very effective system of control.

With price increases, transfer of real resources to the government can only be effected if there is rigidity

of wages or if the price elasticity of demand¹ is large and the income elasticity of demand is small, taking into consideration the redistribution of income arising from the government expenditure. Transfer of real resources to the government may then be effected either from the wage earners or from the public when they reduce their spending in view of the initial increase in prices. Rigidity of the wages of government employees also reduces the need for further increasing government deficits. Whether the government prefers to let real wages fall at least temporarily depends on the general policy chosen. But there is a socially and economically acceptable limit below which wage earners will not agree to let their real wage fall. In addition, the wage class in many ECAFE countries is small and the resources which can be transferred by wage rigidity is limited. On the other hand, although an increase in the profit of entrepreneurs may increase their incentive to invest, such investment, if without discrimination, will also compete with the government or the planned sector in the utilization of resources, especially if the readily employable resources are limited in relation to the development programme. It is true that there is, in ECAFE countries, a reservoir of under-employed labour but, judging from past experience, inflationary financing alone will not substantially reduce the element of under-employment in the system. In under-developed countries where per capita income and level of living are low, the income elasticity of demand is usually high. The condition of a large price elasticity of demand, coupled with a low income elasticity, requires that people expect the supply of goods and services to increase significantly in the near future so that prices may fall again after a short period. Failure to achieve a reduction of effective demand in the private sector will hamper the transfer of real resources from the private sector to the government.

Thus budget deficit financed by different means has different effects on the economy. Use of foreign assets or foreign loans are the surest means to place real resources at the disposal of the government. Financing government expenditure by genuine borrowing from the public usually increases effective demand more than taxation but the increase is in general limited. Cash deficit at home, which includes borrowing from the central bank, utilization of cash balances and issuing currency by the treasury, increases effective demand, and the possibility of transferring the required real resources to the government by these means is less certain, depending on a number of circumstances. Thus the concept of cash

1. Price elasticity as used here refers to the ratio between the relative change of demand for all commodities and the relative change of the price level at a given income level.

deficit at home is most useful in assessing the inflationary pressures of a government deficit as well as in judging whether a planned re-allocation of real resources can take place smoothly. Another advantage of the cash deficit concept is that the proceeds of the loans and advances by the government to the private sector are ultimately to be spent by the private sector, and therefore their effects are similar to those of government expenditures. However, in government budgets they are to be deducted from government borrowing in arriving at the net change in claims outstanding. If government borrowing from the central bank equals loans granted to the private sector, they cancel out in other definitions of the budget deficit, but expenditures based on these proceeds will increase the effective demand and money income. The same is true if the government borrows from the central bank to repay the borrowing from the

public. Such expansionary effect is however recorded in the concept of cash deficit at home.

Detailed break-down according to the categories as outlined in this paper of the methods employed in countries of this region for financing budget deficit is not available. In table 2, an attempt has been made to standardize available data. The budget deficits as shown in the table are based on budget data published by governments and reclassified by the Fiscal Division of the United Nations Secretariat.¹ But data are not available to show what proportions of net borrowing are from the central bank, the commercial banks and the individuals, and what proportions are in national currencies and in foreign currencies. It is, however, known that the major portion of the floating debt is absorbed by the central banks.

TABLE 2
METHODS OF FINANCING BUDGET DEFICITS

Year	Type of account	Budget deficit	Use of cash balances	Borrowing (net)		Other extra budgetary receipts
				Total	Floating debt	
Burma (million k)						
1948/49	A	5.0	27.2	11.5	16.1	-43.7
1949/50	A	-71.7	-170.0	-17.2	-16.5	115.5
1950/51	A	-34.8 ^a	-207.9	5.3	2.9	31.2
1951/52	RE	144.5	0.9	3.4	-4.6	140.2
1952/53	RE	203.2	114.4	8.1	—	80.7
1953/54	DE	384.3	266.5	7.9	—	109.9
Ceylon (million Rs)						
1948/59	A	79.1	70.6	33.9	-7.8	-25.4
1949/50	A	70.8	74.7	74.1	76.5	-78.0
1950/51	A	24.1	-66.2	75.6	-48.4	14.6
1951/52	A	252.9	73.0	218.2	134.3	-38.3
Pakistan (million Rs)						
1950/51	A	-142.4 ^b	-201.6	307.5	194.2	-248.3
1951/52	A	160.2 ^b	221.6	404.0	373.2	-465.4
1952/53	A	501.4 ^b	299.7	411.7	156.4	-210.2
1953/54	RE	946.4 ^b	125.5	264.0	-95.7	556.9
1954/55	DE	938.5 ^b	12.7	458.6	162.5	467.3
India (million Rs)						
1948/59	A	661.1 ^c	816.7	2,392.9	2,556.6	-2,548.7
1949/50	A	973.0	438.0	822.5	803.9	-287.5
1950/51	A	504.3	-124.3	430.2	89.6	198.4
1951/52	A	-30.1	-9.1	397.7	-322.1	-418.7
1952/53	A	1,107.5	635.4	594.0	-171.0	-121.9
1953/54	RE	2,673.7	483.0	943.8	798.6	1,247.1
1954/55	DE	4,378.3	-121.2	3,358.8	2,500.0	1,140.7
India: A & B States (million Rs)						
1951/52	A	442.9 ^c	105.5	171.2	37.5	166.1
1952/53	RE	562.6 ^c	170.0	217.1	86.6	175.7
1953/54	DE	536.9 ^c	273.7	141.7	5.0	121.4

Source: United Nations Fiscal Division.

a. The items do not add up to the budget deficit. The discrepancy of K136.6 million is due to the difference in the revenue surplus figure for the year in the Revenue Account and the Ways and Means Accounts in the Budget Document for 1953/54.

1. In table 2, the budget deficit is defined as the difference between payments and receipts excluding debt redemption, borrowing and certain monetary operations ("extra budgetary receipts"). It cor-

b. Owing to rounding, the items do not add up to budget deficit in some years.

c. The negligible discrepancy between the budget deficit and the algebraic sum of the use of cash balances, borrowing and other extra budgetary receipts is due to the exclusion of C states, capital accounts of which are included in Central Government Budgets.

responds, therefore, to the budget deficit as defined here plus net government lending.

III. DEFICIT FINANCE AS APPLIED TO ECONOMIC DEVELOPMENT

It is generally considered undesirable under normal conditions to depend on budget deficit for current consumption expenditure of the government. As a matter of fact, within the ECAFE region, with the exception of Indonesia, Cambodia, China (Taiwan only), Laos, Viet-Nam and the Republic of Korea, governments have sufficient revenue to cover current expenditure. In countries such as Burma, Ceylon, India and Pakistan, however, it is considered that while government current expenditure should be financed by current revenue, government investment expenditure, which may be expected to yield returns, or refundable government loans to the private sector, should be financed by borrowing.

As has been indicated, government expenditure financed by borrowing from the public probably will increase total effective demand more than taxation, but the increase is usually limited. Such limited increase might probably be offset by the increase of goods and services especially if the loan is used for productive purposes. On the other hand, the reduction of effective demand in the private sector because of government borrowing is probably more from a reduction of investment than of consumption, the final effect of which depends on the nature of the private investment which is reduced in amount, as compared with the nature of the government investment. If the reduced investment or disinvestment in the private sector is for production of immediate consumption goods while the government investment, or private investment based on grants and loans given by the government, is in fields which will not turn out final consumption goods until a lapse of time, there will be a net reduction in the flow of current consumption goods. There would, therefore, be an inflationary pressure during the time lag before the current consumption goods can meet the existing demand. However, such inflationary pressure from expenditure financed by borrowing from the public, if matched by a restrictive credit policy of the Central Bank, is usually manageable and will not develop into a run-away inflation. Needless to say, there should be, especially in the case of short- and medium-term loans, suitable techniques of timing the maturity and of repayment of the loan. These should be co-ordinated with the increased flow of goods and services, so that a sudden release of purchasing power without corresponding increase of production can be avoided.

In many countries of the region, it appears that taxation and borrowing from the public are not adequate to raise sufficient funds for the government to speed up

development. It has been felt therefore in some cases that *cash deficit* including borrowing from the central bank which may result in inflation is preferable to the inadequate conservative financing which may only perpetuate stagnation. The problems are (a) whether there is no alternative to deficit finance of an inflationary nature, such as improvement in tax system and borrowing technique, which may bring about a surer transfer of real resources from the private to the government sector; (b) whether such improvements can be achieved in time to meet the immediate needs of development; (c) whether borrowing from the central bank can really shift real resources from the private sector to the government; (d) if so, what are the limits to such a shift; and (e) what are the factors affecting these limits and the conditions under which borrowing from the central bank may not lead to adverse effects.

Problems (a) and (b) are not the subject matters of this paper. As to (c) and (d), it has been indicated briefly in the previous section that borrowing from the central bank may not always be able to affect a desired transfer of real resources to the government, depending on a number of circumstances. In a latter section, it will be shown that under certain unfavourable conditions, it may even adversely affect production. In the present section, consideration will be given to fields in which, and certain conditions under which, deficit finance of an expansionary nature may be applied without too much detrimental effects, if resort has to be made to such a means of financing.

First, let us examine deficit finance by borrowing from the central bank when no inflationary or deflationary tendencies prevail. In under-developed countries in the ECAFE area where the man/land ratio is high, there is usually large under-employment, especially in the rural areas. This under-employed man-power, if employed more effectively, may increase the total national product without proportionally increasing consumption. However, a certain minimum amount of tools and equipment is required to give fuller employment to the under-employed. In addition, as soon as the under-employed people leave their original jobs, they will no longer be supported by their relatives or other producers but will have to be paid according to the prevailing wage rates, except when they agree to work in their spare time in local community projects without full compensation.

To avoid excessive inflation from government deficit financed by borrowing from the central bank, certain criteria have to be observed. If final products do not increase until a long time after the investment is made, or if the increase of the annual product is small as

compared with the initial investment, and at the same time shortage of foreign exchange resources does not allow an increase in import surplus, the additional effective demand generated by the government deficit will have to be met mainly by the national product at the original level, and prices will rise. It is important therefore that, unless its magnitude is very small as compared with national income, deficit finance which does not directly result in a corresponding reduction of private expenditure should be restricted to expenditures in fields with quick returns and with a large output-capital ratio.

In under-developed countries, like those in the ECAFE area, excess capacity and the supply of trained personnel are small, and it takes time and resources to expand capacity and train people. But investment without heavy expenditures can still be found in certain fields of agriculture, especially in the form of community projects aiming at increased production. The Indian experiment shows that the digging of wells and the use of manures through community projects and the adoption of the Japanese method of rice cultivation greatly increased the yield per acre at comparatively small cost. Quick results with high output-capital ratio in agriculture may also be attained in other fields such as seed improvement, pest control, etc. Under-employed labour can also be used to increase the production of certain cottage industries with relatively small capital investment. In Burma, Ceylon and mainland China some success has been achieved in organizing and using voluntary labour for development which reduces the cost.¹ If the volume of production of final products can be significantly increased without much time lag, at least a part of the increase in effective demand can be met by the increased production. The original inflationary pressure will be mitigated, paving the way for government deficit in the next period for further increase of production. The foreign exchange reserve in the ECAFE region, though usually not large, is sufficient in a number of countries to bridge such short gaps, to increase temporarily the supply of goods from imports and meet a part of the increases in effective demand until domestic production can be increased, assuming of course that the deficit is not too large relatively to the foreign exchange reserves and that other precautionary steps have been taken.

Increase of agricultural production is especially important in under-developed countries where the level of living is low, and a relatively large proportion of the

additional income is spent on food and clothing, the chief raw material for the latter being also the product of agriculture. The increase in the production of food and clothing materials will remove the possibility of either a drain on the foreign exchange resources for the importation of these goods (i.e. to cover budget deficits by balance of payments deficits) or a general cumulative inflation of the price-wage-price type. If agricultural production can be so increased as to yield a surplus for export, it will even help to provide additional foreign exchange for other purposes. This applies also to some of the cottage industries which supply wage goods or some of the exchange-earning articles.

On the other hand, investment in factory industries in most countries where excess capacity is small, involve usually a longer interval between the capital investment and the increase of production, and a lower output-capital ratio; it may generate an inflationary pressure lasting for a longer period unless domestic investment can be matched by imported capital goods or even consumption goods financed from foreign exchange resources. In this case part of the budget deficit is actually financed by the balance-of-payments deficits. Long-term investments such as investments in railways, iron and steel and power industries generate an even higher inflationary pressure, if all the expenditures are incurred at home. However, in most ECAFE countries most of the equipment and materials required for investment of this kind must be imported. Domestic expenditure therefore usually increases much less than the total investment cost. Unless large foreign resources can be utilized, large investment in these fields based on borrowing from the central bank requires additional caution.

This, however, does not mean that borrowing from the central bank must by no means be applied to any project which will not yield direct immediate returns. Expenditures in fields which improve certain basic conditions for further economic development but yield no immediate returns may have to be considered if they cannot be financed by revenue or genuine borrowing from the public, provided that the annual expenditure is not excessively large as compared with national income. The argument here is that, if these handicaps form a bottleneck to general economic development, and once the bottleneck is broken, the way to rapid development is paved, then the inflationary effect generated by deficit financing of this kind may not last very long if the programme is well planned and managed. In such cases, the expenditures which may last for, say, four or five years, may only generate an inflation lasting that long—a reasonable time period to ask people to wait for. In this connexion it is worth noting that during periods of

1. Experience in these countries show that very little if at all need to be paid as compensation to local labour working on community projects especially when these projects are for the benefit of the small community of which the workers are members and when the working site is not far from their residence.

war, countries have resorted to deficit financing to bring about the re-allocation of resources.

Among economists two concepts of applying deficit finance for development expenditure,—one as a more or less continuous measure, and another as a temporary sporadic measure to bridge a gap—seem to have been held. According to one concept, if development expenditures are concentrated especially on quick yielding projects at the initial stage of development, the inflationary pressure will be, after a brief time lag, offset by the increase of production. The higher level of real income will provide for larger voluntary savings and, therefore, the possibility of larger development expenditure at the next stage. However, in under-developed countries, with extremely low income level, government policy should aim at a maximum practicable rate of development. Without detrimental effects, the governments may consider it advantageous to exert a constant strain and continue the application of deficit finance to further speed up the rate of development. At a gradually rising income level and with a narrowing down of the non-monetized area, demand for money will be increasing and a larger and larger magnitude of deficit finance without excessive inflationary pressure may be incurred from period to period.

The other concept is a deficit of larger magnitude not necessarily designed to finance expenditures on quick yielding projects, but to provide basic facilities for general development, including transportation and large multi-purpose water resources development projects. The inflationary pressure will be larger, lasting for a longer period. Such expenditures financed by central bank borrowing require more careful planning, for, if the real resources are limited and private spending does not reduce or even increase before these projects are completed, transfer of real resources to the government for these projects may fall short of requirements, and it may be necessary to increase the magnitude of budget deficit still further. Various economic controls and appeals for public support similar to those exercised during a war may have to be adopted.

Resort to deficit finance when there is a recession or a deflationary tendency is entirely different. There is then no fear of having an excessive expansion of effective demand. As a matter of fact, in developed countries, deficit finance for checking a recession or starting a revival may be concentrated on expenditures without direct returns, for example, the building or repairing of roads which are not essential, or the construction of parks which do not directly increase physical production. Indeed, expenditures have been incurred

even on destruction of crops or other products in order to reduce the supply of goods relatively to effective demand. Under-developed countries will, of course, not have to resort to expenditures of this nature as large sectors of the economy require rapid development. Under-developed countries should consider recession an opportunity for long-term capital investment through government deficit. Without immediate returns, government expenditures in this direction will not only generate income and effective demand relatively to the supply of goods and services in just the same way as the other expenditures indicated, but also build up the required capital equipment which it would be difficult to accumulate under normal conditions.

However, even in a recession, certain under-developed countries cannot be given a very large dose of government expenditure for long-term development from government deficit financed by borrowing from the central bank. In most cases, recession in under-developed countries is induced from abroad, caused by a reduction of world demand for their export goods and a keener competition of import goods with domestic products. Unless the development expenditure can increase the efficiency and reduce the cost of domestic production in a short time, which is rather improbable, competition of import goods cannot be avoided. As a matter of fact, the increase in domestic income may raise domestic price and intensify further the competition from import goods. Similarly, if the increase in domestic income raises the cost of export goods relatively to world prices, it will not increase but tend to reduce exports. Unless the currency is to be depreciated or trade controls effected, there is a limit to deficit financing in these countries. Careful design of the government expenditure and other economic policies, including tax system and controls, is therefore necessary for a large government deficit for long-term development, even in a recession.

In a world recession where both the price of capital goods and the rate of interest are low, it is advantageous to contract foreign loans for the import of capital goods for development. If government deficit can be covered partly by domestic borrowing and partly by foreign borrowing, the magnitude of the development programme may be expanded without generating too much effective demand in the domestic market to over-offset the recession. If a number of under-developed countries adopt similar policies, the increase in the demand for capital goods arising from foreign loans will help to check even the world recession.

IV. OTHER BASIC CONDITIONS WHICH MAY BE CONSIDERED IN APPLYING DEFICIT FINANCE

Differences in certain institutional and psychological factors between countries may cause varying degrees of inflationary pressure from deficit financing. Therefore, even with the same proportion of government deficit to national income, some countries may succeed in transferring a larger proportion of real resources from the private to the public sector than others.

Use of money and credit in the economy

Other things being equal, the larger the ratio of money in circulation to national income the less sensitive is the economy to deficit financing. A country with a high money/income ratio can absorb a larger government deficit financed by increasing money in circulation than a country with a low money/income ratio. In under-developed countries where production for domestic consumption and barter exchange are extensive and cash balances in the hands of individuals are small, the money/income ratio is usually smaller than in the more developed countries. This is true in spite of the fact that integration of the economy in some of the highly developed countries also tends to reduce the money/income ratio. It is found that for the average of 1948 to 1952 the money/income ratio in ECAFE countries is from 16 to 29 per cent as compared with that of 31 to 58 per cent in some of the developed countries.¹ In the circumstances, government deficit, if financed by borrowing from the central bank or by running down the cash balance, which increases the money in circulation, will require a proportionately larger effort by the private sector to increase its cash balance if inflation is to be avoided. In this respect, ECAFE countries are more susceptible to inflation from deficit finance than the monetized economies.

With the same money/income ratio, the more popular is the use of credit, the larger is the inflationary effect of government borrowing from the central bank or the use of its cash balance for deficit financing, for the new money injected into the system will multiply rapidly through credit expansion. Because of the less developed credit system, the ratio of deposit money to currency is much smaller in ECAFE than in developed countries. For example, in Malaya, Japan and Ceylon, where the ratios are the highest, the average ratios for the period 1948 to 1953 are 1.68, 1.56 and 1.50 respectively. In most other countries of the region, the

ratio is as low as 0.30 to 0.70 per cent. On the other hand, similar ratios in the United States, Australia, the United Kingdom and Canada are 3.50, 3.41, 2.92 and 2.76 respectively. In this regard, the inflationary effect of deficit financing should be smaller in ECAFE than in developed countries.

Nature of government expenditure

The inflationary impact of government deficit depends also on the nature of government expenditure. For example, the immediate increase of effective demand for wage goods is larger if a larger portion of the expenditure is directly for payment to the factors of production in the form of wages. The income of the wage-earning class is increased immediately to that extent. Because wage earners always have a low standard of living and a high propensity to consume, they would spend a large part of the additional income without much delay. However, if the wage payments are chiefly made in the rural area, part of the effects may be absorbed and there may be delays before the effect on price spreads to other areas. People in the rural area are usually less sensitive than the urban population and there can always be a certain margin in the fluctuation of stocks of food. There are also barriers of various kinds to the transmission of the impact effects. Unless the expenditure is very large, there is always a tendency to localize the effect of local expenditures. On the other hand, if a large proportion of the expenditure is on goods, part of the goods may be withdrawn from stocks and the proceeds may not be spent immediately on further production. The immediate increase in income may therefore be considerably smaller than the amount spent by the government on goods. However, it is likely that a larger proportion of the proceeds from the sale of goods by entrepreneurs will be deposited with the financial institutions than in the case of wage receipts, especially if the original expenditure is spent in the cities. Part of these deposits may be loaned out again to the private sector. There may therefore be a more immediate multiplier effect through credit expansion. Meantime, large, steady purchases by the government may also directly induce private entrepreneurs to expand production and investment.

When people are inflation-conscious, the timing of government expenditure may affect the expectation and economic behaviour. The concentration of government expenditures in a few months may result in a faster rise of prices and more elastic expectation which, once started, may generate cumulative effects. A better distribution of the expenditures over the year may improve the situation. Inflationary effects of government

1. Developed countries used for comparison include Canada, France, the Netherlands, Norway, Switzerland, the United Kingdom and the United States. Except Canada, all these countries have a money/income ratio of above 40 per cent. International Monetary Fund's definition of money is used throughout.

expenditures may be more evenly spread out if they can be matched with the flow of government receipts. In times when the market condition is unfavourable, government expenditures may be withheld for a short period, if possible.

Disposal of marginal income by the private sector

Propensity to consume

The propensity to spend for consumption and investment in the private sector plays a most important role in determining the inflationary effect of deficit finance. The larger the proportion of the marginal income to be spent by the private sector, the larger is the multiplier and therefore the larger will be the inflationary effect. The marginal propensity to consume depends largely on the level and distribution of income, and the desire of people to improve their immediate living conditions. Social and political conditions also influence the choice between the present and the future. The distribution of the additional income among different sectors and the re-distribution of income arising from deficit financing also affect the propensity.

In general, with the low income level and low standard of living, the marginal propensity to consume in ECAFE countries is high.¹ In other words, there is a tendency to spend a large proportion of the additional income generated from deficit finance on consumption, and therefore a comparatively smaller amount of real resources can be transferred from the private consumers to the government by means of deficit finance. A balancing effect of deficit finance is that the concentration of wealth which may result from the re-distribution of income may reduce to a certain degree the propensity to consume and increase savings. In this region, however, there is a general habit of hoarding gold and jewellery by the people as a store of value for their savings, leading to significant amount of annual gold imports, including smuggling. Such hoarding, though considered by the individuals as personal saving, is classified by economists as consumption. In countries such as Ceylon, Indonesia, the Philippines and Thailand, where large proportions of consumer goods are imported, the marginal propensity to import is also large. From the crude data available, the marginal propensity to import² is about 0.4 for Ceylon, 0.3 for Burma and 0.2 for Japan and Thailand.

Incentive to invest

Another way of spending income by the private sector is private investment. The incentive to invest

depends largely on investment opportunities and on the availability of technique and equipment. In general, the incentive to invest in fields other than consumption capital, such as housing, is small in ECAFE countries. In some countries the increase in effective demand may increase imports more than encourage domestic production; this is especially so when most of the consumption goods are imported and domestic industries cannot compete with imported goods (as for instance in Ceylon). Confidence in the political stability and in the length of the period over which effective demand can be maintained also affects the incentive to invest.

There are favourable and unfavourable aspects to a low incentive to invest. For the purpose of transferring real resources from the unplanned sector to the planned sector, a low incentive to invest by the private sector in general may be a favourable condition if an immediately large expansion of total output is not possible or not expected. Even when independent private investment is needed to supplement investment financed by government funds, private investment in countries where immediately employable resources are limited, should be selective. With limited resources, governments have to choose between promoting the general incentive to invest while restricting investment in undesirable fields and suppressing the general incentive to invest while encouraging it in specific fields. For countries which have difficulty in enforcing economic controls, the second alternative may produce surer results, although countries depending mainly on private initiative for economic development may have to adopt the first alternative.

Form in which unspent margin of individuals is kept

The form in which the unspent margin of personal income is kept also influences the inflationary effect of government deficit. In the rural area, and among the low-income group, the unspent margin is sometimes kept in the form of bank notes. If the unspent margin from the additional income is kept in the same way, it becomes the unspent margin of the income not only of each of these individuals but also of the community as a whole. Such a habit will reduce the inflationary effect of deficit finance. On the other hand, if the unspent margin of the individuals is deposited in financial institutions, it is likely to be loaned out and spent by some other persons, for consumption or investment. As the unspent margin of individuals kept in this way may not be the unspent margin from the point of view of the community as a whole, the inflationary pressure of deficit financing will be larger.

1. Burma is an exception. Crude statistics show that the propensity to consume based on private disposable income after tax, is as low as 0.6.

2. Total imports related to total national income.

However, unspent margin kept in the form of cash is always liable to be spent when the people are inflation-conscious and lose their confidence in the currency. As a precaution, it may sometimes be advantageous to encourage the public to deposit its unspent margin in savings institutions while at the same time mopping up part of the unspent margin through borrowing by the government not only directly from the private individuals but also from these savings institutions to reduce the possibility of mobilizing the unspent margin for private expenditure. The anti-inflationary effect is then more certain.

Elasticity of supply

When deficit financing of government expenditures resulting in an increase of effective demand is resorted to, elasticity of supply is a very important factor in determining the rate of inflation. The immediate supply of goods may be drawn from stocks. Except in years of poor harvest, there is usually a certain stock of agricultural products in agricultural countries which can be drawn upon. Other stocks depend on the condition of each country. Such a cushioning factor depends not only on the availability of stocks but also on whether the stocks, after having been used up, can be expected to be replenished in time, by domestic production or import. If the expectation is not favourable, price may rise even if there is sufficient stock to meet the immediate demand.

The next immediate source of supply is to increase production through the use of the excess capacity or to reduce exports and increase imports. In ECAFE countries except Japan, and to a smaller extent in India and China, excess capacity which can be employed at short notice to supply additional consumer goods is negligible. In the field of agriculture, it requires time to work the uncultivated land. Although there is a possibility of improving the yield of the cultivated land, such improvement does not follow automatically an increase in demand. Export of consumer goods in most ECAFE countries is concentrated in a few items, such as rice in Burma, Cambodia, Laos, Thailand and Viet-Nam, vegetable oils in Ceylon, Indonesia and the Philippines, textiles in India, etc. For countries where there are export surpluses of certain consumption goods, a reduction of exports can meet the immediate increase of effective demand for these items. But many other major export products such as rubber, tin concentrates or other mineral ore and crude petroleum cannot be employed directly in the producing countries for consumption or investment. In general, the increase of consumption demand can be met by imports, although there is a time lag in ordering investment goods even from abroad.

Either reduction of exports or increase of imports results in a drain of the foreign exchange resources. When there is a net sale of foreign exchange to the private sector, the government deficit is partly financed by a reduction of cash and claims in foreign currencies, which is non-inflationary. Thus availability of foreign exchange resources is an important factor in meeting the immediate increase of effective demand in general.

Foreign exchange resources are, however, not unlimited, and most governments would prefer to preserve them for the import of strategic capital goods. The ultimate means to increase supply is an expansion of the productive capacity. The further development of a government deficit depends on whether domestic production, especially of certain export goods which may help to earn foreign exchange, can be increased sufficiently in time before the cushioning effect of the utilization of the limited foreign exchange resources is over, if the government allows such utilization at all. As a matter of fact, the supply of certain export products in the region can be increased with less difficulty than that of some of the goods used directly for home consumption.

In countries with a low per capita income and a high propensity to consume, an increase in effective demand will exert more pressure on wage goods. The wage goods in these countries consists mainly of food, clothing and housing. Although income elasticity of demand for food is generally not large, consumption of food always increases when income increases, especially when the income level is low. Income elasticities of demand for clothing and housing are generally large. Governments using deficit finance should watch closely the supply condition of these goods and measures should be taken to increase their supply by domestic production or by imports. The discussion in a previous section of this paper on the possibility to increase agricultural, cottage industry and factory production applies to food and clothing. For residential houses of the low-income group, local labour and material are generally used in a number of countries, without serious diversion of resources for the development purposes. If resources, both domestic and foreign, cannot meet the increased requirements for both consumption and development, either measures have to be taken to reduce effective demand of the private sector or rationing has to be imposed. As a matter of fact, for a few key consumption goods the prices of which will generally affect wage rates, and a few producer goods which, in addition to labour, are most needed in development projects, there should be a kind of resources budgeting, including foreign-exchange budgeting, so that the limited resources

can be appropriately allocated to the various fields to meet not only the need of development itself, but also the increased demand from consumption and induced investment arising from the development expenditures.

Presence of other disturbing factors

Government deficit is only one of the disturbing factors of the economy. Inflationary and deflationary tendencies in a country depend on the way the various factors influencing the economy are combined. Other chief disturbing factors in the region are crop condition and fluctuation of export earnings. They are results of changes in weather and in foreign demand and are often outside the control of the government. A good harvest may increase government revenue if taxation depends directly or indirectly on the volume of crop production; in this case, deficit finance is less necessary. But if the good harvest cuts the price to such an extent that the reduction of agricultural income also reduces government revenue, deficit finance is suitable to raise funds not only for economic development but also for stock piling of agricultural products to prepare for a possible future crop failure. Deficit financing with a good harvest is less inflationary. On the other hand, a crop failure, which usually reduces government revenue, does not provide a favourable condition for deficit finance. Deficit finance with a poor harvest is more inflationary than ever. However, if the surplus crops, stockpiled during a good harvest by means of deficit finance, may be sold in a period of poor harvest, development expenditure can be secured with a favourable effect of smoothing out the effect of agricultural fluctuation.

In Burma, Ceylon, China: Taiwan, Indonesia, Malaya and Thailand where exports of domestic produce are concentrated in a few major products, e.g. rice, rubber, vegetable oils, sugar and tin, another important disturbing factor is the fluctuation of export demand, prices and income. In these countries, export earnings fluctuate mainly because of changes in foreign demand and not in domestic output. Part of the increased income which is spent at home exerts an inflationary pressure, and is unfavourable to deficit finance. However, when the increase of income is from export earnings the government can easily increase its revenue by export duties as in Ceylon and Malaya, by a multiple rate of exchange as in Thailand, or by government monopoly of exports as in Burma, thus reducing the need for deficit financing. On the other hand, since the increase of income arises from the increase of export earnings, the increased exchange earnings may be used to pay for imports to meet the increased consumption and investment demand. Increase of export earnings is

therefore a favourable condition for economic development. However, unless the whole or a major part of the increase in export earnings can be placed into the hands of the government, as in Burma, government spending for development should be incurred with caution in order not to create too much effective demand.

A decrease of export earnings reduces income level, economic activity, and probably employment. Government revenue will also be reduced. Deficit financing of government expenditure under such a condition may be considered. However, caution should also be exercised so that the increase of effective demand does not raise the cost of production of the export goods, thus reducing further the volume of export. For countries with fluctuation in export earnings, it would be appropriate for the government to mop up a large part of the increased income in foreign exchange when export earnings are large, by taxation or other measures, to finance the government deficit when export earnings and government revenue are small. It should be remarked that this can be done only when export earnings transferred to the government are in the form of foreign exchange. Such a policy would not only reduce the economic fluctuation in the country but also provide a steady stream of development expenditure.

Normally, private investment expenditure is not an important disturbing factor in ECAFE countries except Japan. In Japan, the incentive to invest in the private sector is high and changes in private investment are an important force creating economic fluctuation. Where private investment is large, but readily employable resources are limited, either government deficit should be co-ordinated with the fluctuation of private investment or private investment should be restricted when the government increases its expenditures based on deficits.

State of expectation and behaviour of the private sector

The state of expectation has a very important influence on the behaviour of the private sector in response to deficit finance. Political situation and economic trends, both international and domestic, are important factors determining the psychological expectation of the public. In general, in a country which has experienced price stability for a length of time, the people will not expect a sudden rise of price; while in a country which has experienced rising prices for some time, the people will probably expect the same trend to continue in the near future. Economic behaviour varies according to expectation. Expecting the price to rise, people will prefer goods to money and reduce the proportion of the property which is kept in the form of cash. Spending

is increased on anything which may preserve their purchasing power. Consumers may increase their stock of consumer goods and producers may increase their stock of producer goods or final products. There will also be an increase in the hoarding of precious metals and foreign exchange, the liquidity of which is high. The result may be a further increase in the rate of inflation. In such circumstances, the scope for transferring real resources to the public sector by deficit finance is very limited. Experience in China during the war and in the immediate post-war period shows that the real resources at the disposal of the government became smaller and smaller when government deficits became larger and larger. On the other hand, if the public do not expect the price to rise in the near future, a rush for goods may not arise, and the expenditures may be confined to genuine consumption demand and investment. By the same reasoning, the scope for deficit finance is even larger when prices are expected to fall and people try to reduce their stock of goods and increase their cash holding. This is why deficit finance may be most profitably applied when there is, or tends to be, a recession.

Although hoarding of goods by producers is classified under "investment" by economists, it does not always contribute to an increase of production. In fact, hoarding of producer goods may even further narrow the bottleneck by increasing their scarcity. Hoarding of final products by both producers and consumers, which forces up their prices more than the price of the factors of production, may give more incentive to invest especially if wages lag behind; but even if there are still additional resources which may be put to use, these resources are used uneconomically to meet the demand of speculators. The increase in the price of wage goods will force up wages and start the price-wage-price spiral. In addition, any hoarding of goods involves depreciation and carrying costs which are social waste. Hoarding of precious metals and foreign exchange will reduce the possibility of making use of these resources to import strategic goods and break the bottlenecks, and the balance of payments difficulties may necessitate a revision of the exchange rate.

In general, hoarding of goods starts as soon as there is an expectation of prices to rise. For, except in the case of those who receive daily wages and consume immediately their total income, there is always a safety margin within which personal cash holdings can be transformed into goods which are expected to be consumed in the near future. When the expected rate of increase of price exceeds the rate of interest on deposits, it is also profitable for consumers to spend a part of

their income which is intended for deposits to increase their holding of goods. It is only when the expected rate of increase of price, with due allowance for the risk of expectation, is higher than the rate of interest on loans by a margin equal to the carrying cost that it is worthwhile to borrow for speculation. The government should therefore take care not to allow the rate of inflation to be excessive, especially in comparison with the rate of interest, and the central bank should carefully formulate its credit policy when deficit finance is to be introduced.

In conclusion, it may be stated that the limits to deficit finance will be reached very quickly in an economy with a large speculative business community, which is very conscious of price fluctuations. The Korean-war inflation and the rapid increase in prices of export products have made some of the export economies such as those of Ceylon, Malaya and Indonesia very inflation-conscious. The impact of any given government deficit in Indonesia is likely to multiply itself rapidly because business people are in the habit of speculating and tend to exaggerate any disturbing factor. In Japan and India also price expectations are important elements in business decisions especially with reference to change in inventories. In Burma, however, business activities do not seem very sensitive to price fluctuations.

V. MEASURES TO MINIMIZE THE INFLATIONARY EFFECTS OF DEFICIT FINANCING

The measures which governments might take to minimize the inflationary effects of deficit finance and assure the transfer of real resources to the government may be classified into (a) measures taken mainly on precautionary lines, and (b) measures designed to keep inflation suppressed and thus prevent it from having the full harmful effects of open inflation.¹ Within the first category of precautionary measures are those designed to concentrate deficit financed expenditure on investment in quick yielding projects which can increase in particular the supply of wage goods, to break bottlenecks which impede the expansion of output, to use deficit financed expenditure at the proper time, to use foreign reserves as a cushion, etc. These measures have been discussed in earlier sections of this paper. In the document entitled "Economic Indicators of Inflation in ECAFE countries"² attention is drawn to the need to watch

1. Needles to say, to place at its disposal the maximum amount of resources for development without excessive inflation, the government should reduce all expenditures which are not absolutely necessary and finance its expenditures as much as possible from taxation and other revenues so as to minimize the deficits, as the effect of deficit finance depends mainly on the magnitude of the deficit as compared with the national income. When current expenditures cannot be reduced any more, the deficit should be covered as far as possible by genuine borrowing from the public, and only as a last resort should borrowing from the central bank be undertaken.

2. ECAFE/I&T/FED.2/5, issued by the ECAFE Secretariat, October, 1954.

selected economic indicators with a view to facilitating speedy revision of policy. This section deals with the second category of measures designed to keep inflation suppressed and to provide sufficient resources to the needed fields although taxation serves the purpose of both categories of measures.

Fiscal policy

Fiscal policy can reduce or modify private consumption and investment and consequently the inflationary pressure. For example, income-tax exemptions on life-insurance premium, etc. can increase the incentive to save. Exemption of depreciation funds from taxation and other measures of tax differentiation, if applied to selected industries, can help to channel private investment into desirable fields.

With government deficits, the tax structure should be such that revenue will expand with greater economic activity arising from deficit financing so that a large proportion of the marginal income can be mopped up by the government; it is desirable that new fields of economic activity be not ignored for the purpose of taxation. For example, if deficit financing applied to development expenditures on irrigation works and agricultural extension increases the output and incomes of the agriculturists, then the tax structure should enable the government to tax the increase in their income.¹ This can be supplemented by direct borrowing from these sectors. Windfall profits from inflation should be especially taxed. To enable the tax to fall on the sector or persons the income of which is increased, emphasis should be placed on direct taxes. But, because of the difficulty in administration, lack of systematic accounts for most enterprises, especially in rural areas, and the high exemption limits relative to per capita income, direct taxes are less important than indirect taxes in most countries of the region except Japan. However, to mop up marginal purchasing power, both direct and indirect taxes can be applied. Needless to say, attempts to mop up marginal income by commodity tax on wage goods may increase wages, intensify inflation and retard production.

Economic controls

Controls on consumption

In countries with an efficient administration, (e.g. Japan) or a fair concentration in the sources of supply

of consumption goods (e.g. Ceylon), rationing can be effectively applied to check the increase in consumption arising from an increase in income. Control on consumption is important especially in the case of wage goods, if their supply does not increase in accordance with the increase of income. However, in countries where food is produced in numerous small farms, and consumed largely in the rural area, effective rationing of food is difficult. The method used in mainland China is to require the farmers to sell their surplus crops to the supply and marketing co-operatives controlled by the government. This, however, calls for extensive administrative machinery with a high degree of efficiency.

Quantitative import control without rationing will result in a rise of price. Price control without rationing, if effective, may result in poor distribution; if ineffective, it will result in black market prices, thus defeating the purpose of price control. Countries where effective rationing cannot be introduced run a greater risk of inflation from deficit finance.

For countries not dependent on imports of consumer goods, or when consumer goods are produced by scattered small units rather than a few large producing units, such as India, it is more difficult to restrict private consumption. Since consumer credit is not important even in Japan, it is rather difficult to restrict consumer demand through credit control. Sales tax on consumption items has been used in many countries, but its effectiveness has been limited because of its application mainly to the cities. Furthermore, levying of sales tax tends to increase the price of consumer goods and a rise in the prices of wage goods tends to cause wages and therefore other prices to rise.

Controls on investment

One of the effective means to control private investment is the credit policy of the central bank. Central bank control over commercial bank credit through raising of reserve requirements, larger margins of collateral for lending, higher interest rates, etc., may diminish private investment especially if it is financed by bank credit. Reduction of bank credit in ECAFE countries, except possibly in Japan, affects mainly inventory investment, but a reduction of working capital through reduction of bank credit may also force entrepreneurs to reduce investment in equipment. The rise of interest rate in the investment market through open market operation, etc. will reduce the incentive to invest. In Japan, the tight money policy introduced towards the end of 1953 has retarded the growth of private investment in 1954. Furthermore, in April 1954, as part of the disinflationary policy, the Ministry of Finance issued a directive to

1. Efforts to increase taxes on agriculture may seem inconsistent with stated government objectives to improve the economic condition of agriculturists. It should be remembered, however, that agriculturists in post-war years are already better off than before war, through reduction in incidence of land tax, control of rents and land reform. Therefore, governments could justifiably attempt to tax away a large part of any additional agricultural income, which may be generated by government expenditures for improvement of agriculture through budget deficits.

city banks that they should not make loans for the construction of office building, restaurant and other luxurious structures, or additional loans for financing projects such as shipbuilding and electric power development which the government has decided to post-pone for the time being.¹ In India credit restriction has been applied since 1951/52 and the Reserve Bank's policy is gaining influence.

Within the region direct control on private investment not dependent on government finance or requiring foreign exchange is limited. In Ceylon, India and Pakistan, funds are made available to the private sector through the development corporations controlled by the government. In Japan the private sector is dependent on government finance for long-term investment in electric power, shipbuilding, coal mining and iron and steel, which forms an important part of the total investment. In these countries the government exercises controls over a considerable amount of private investment financed by it in regard to the amount and direction of such investment.

Control, both in volume and in direction, over fields of investment where imported equipment or material is required can be exercised in the form of import duties, import quota, and rationing of foreign exchange. The Security and Exchange Commission in the Philippines, the Ministry of Justice in Indonesia, and the capital issues authorities in India and Pakistan are not concerned with restricting the level of private investment from the inflationary point of view, but with ensuring that only genuine promoters of private investment are given government approval. However, the existence of such authorities would facilitate institution of control over private investment should it become necessary to do so. For the establishment of factories in India, a license is issued after an examination in the light of the requirements of the development plan. In Japan during the second world war, there was strict control over investment in addition to consumption, including rationing of materials. Rationing of important raw materials was also effected in India. These controls were relaxed and practically abolished in the early post-war years. In most countries of the region, there is no control over the construction of buildings from the point of view of relieving inflationary pressure, as building permits have to be obtained from local authorities, merely to ensure minimum standards of safety.

1. This directive is not legally binding on the city banks, but the committee of city banks has passed a resolution to follow it. The directive, of course, does not cover investment financed by business enterprises out of undistributed profits.

Exchange control

When deficit financing creates domestic inflationary pressure, one of the inevitable results is to create pressure on the balance-of-payments position. An expansion of money income through budget deficit, if not matched by an increase in the output of domestic goods, will lead to an expansion of both consumer and producer imports. When this occurs, the planned programme of investment of both public and private sectors is likely to be endangered because of shortage of foreign exchange for capital goods, for the alleviation of which exchange control has to be used to limit the expansion of consumer goods import. When the programme of deficit financing is fairly large, it may cause domestic and foreign investors to lose confidence in the monetary and financial stability of the economy, and a consequent flight of capital, for the control of which it is even more necessary to have resort to exchange control.

Exchange restrictions on goods and invisible payments and capital transfers are currently applied in varying degrees by the ECAFE countries. While the main purpose of exchange control in pre-war days was to prevent the flight of capital, it is now primarily to conserve foreign exchange for development purposes. A prominent feature of exchange restrictions in most countries is relatively rigid control over capital transfer payments. This is applied practically in all countries. In Thailand, transfers of capital used to be freely available through the free market, but since March 1952 limited controls on capital transactions have been applied. Foreign exchange receipts arising from capital inflow have to be surrendered. In Japan and India investment of foreign capital requires prior approval, which carries with it certain benefits such as guarantee for repatriation of capital, profits, etc. As regards other invisible payments, foreign exchange is usually granted for expenses incidental to trade transactions, transfers abroad of dividends and other earnings due to non-residents. Most countries have basic travel quotas for residents travelling abroad. The effectiveness of these controls, however, varies in different countries.

Except in mainland China, and possibly Japan, strict economic controls which are too much against the free choice of the people can hardly be effective. Inefficient control may result in various kinds of abuse and injustice and yet may not achieve the objective. Each government should therefore evaluate the possible effectiveness of its controls under suppressed inflation before resorting to deficit financing. It is not advisable for countries which do not expect to have very efficient controls to incur large budget deficits for financing their expenditure.

Appeal for public support

War-time experience shows that in a number of countries much restraint by and co-operation from the private sector can be achieved through patriotic appeals. In these countries, consumers abided by the principle of austerity and reduction of consumption, and producers re-directed their investment to the fields desired by the government. They also tried to buy government bonds as much as they could or rendered voluntary service, permitting large transfers of real resources to the government by deficit financing without excessive inflation. It may be considered whether similar appeals can be applied to meet the requirements for economic development.

It is true that people are more responsive to appeals on matters which affect their life or death, and freedom or slavery; while the mere promise of a rise in the general level of living may be conceptually too vague to be appealing. Accordingly, such appeals are more effective when applied to individual projects, especially those having a direct bearing on the livelihood for a smaller group of people and producing immediate results, such as the community projects. Voluntary contribution of labour and money by those who will share in the direct benefits are more easily obtained than appeal for similar support on a general, nation-wide programme of development. Appeal to public support has been widely adopted in mainland China in the form of subscription to bonds, agreement to refrain from holding surplus stocks of consumption goods, reduction in the consumption of goods and services which are in short supply including the use of substitutes, contribution of free or partly paid labour to city work, community projects, sanitary improvement, flood control projects, etc. The same policy has also been applied in India and other countries to a more limited extent, in the form of community projects.

It is difficult to persuade people to reduce their present consumption voluntarily in favour of a possible increase in future consumption if the latter is not expected to materialize until after years, unless the people have great confidence in the government. People in the United States during the war reduced their consumption because they understood that immediately after the war there would be better and cheaper cars, radios, refrigerators, etc. for which it was worthwhile waiting. Similar assurance and confidence is necessary if a voluntary reduction of consumption is to be effected, so that real resources can be transferred from the private sector to the public sector for development. This is an additional reason why deficit financed projects must yield quick returns.

VI. SUMMARY AND CONCLUSIONS

The extremely slow increase of production in the region, especially in the field of agriculture, coupled with the rapid population growth, has focussed the attention of governments on the threat of a further lowering of the living conditions of the masses. But efforts to speed up economic development seem always beset with financial difficulties. Not only are the available resources small, but the transfer of resources from the private sector to the government for development, in the form of taxation, has so far been insufficient; therefore, besides attempts to improve the tax system, deficit finance has been considered as one of the possible means of achieving the required transfer of real resources.

The purpose of employing any means to finance the budget deficit for economic development is to place real resources at the disposal of the government in addition to those which can be secured by regular government revenue. Among these means, use of foreign assets and foreign loans are most advantageous as they increase the present disposable resources without creating additional effective demand which is not met by the increase of goods and services. Domestic borrowing from the public will, in general, also be successful in transferring resources from the private sector to the government. Although there is a possibility that private spending in consumption and investment may not be reduced to the same extent as the amount borrowed, the increase in the effective demand is usually limited; and such an increase may, even after a time lag, be offset by an increase in production, especially if government borrowing is for productive purposes. Borrowing from the central bank and use of cash balance in national currencies increase production in so far as there are unemployed, but readily employable, resources. Provided the amount of government deficit is not excessive, the increase in effective demand may, after a time lag, be offset by the increase in production. Foreign exchange resources if available may be utilized to bridge the time gap. Even if such readily employable resources are not available, real resources may still be transferred to the government from the private sector, if the private sector is made to reduce its spending accordingly by means of rationing, control, or appeal for public support of the development programme. The desired transfer of resources can be effected through a rise of prices provided there is wage rigidity or if the price elasticity of demand is large and the income elasticity of demand, taking into consideration the redistribution of income arising from the government expenditure programme, is relatively small. Wage rigidity in a period of gradually rising prices

provides a transfer of resources not only to the government but also to the entrepreneurs. This may stimulate private investment, and would be suitable if private investment is mainly relied upon for development, and if resources are abundant. But it would not be suitable if resources are very much limited, for it would then reduce the possible utilization of the resources in the sectors especially to be promoted by the government. In addition, such re-distribution of income may not be favoured by governments adopting the principle of welfare economics. When prices continue to rise, there is also a limit below which wage workers will not tolerate any further reduction in real wages. With a small wage class in some of the ECAFE countries, the resources which can be transferred this way are small. On the other hand, in most ECAFE countries where the level of living is low, a low income elasticity of demand, coupled with a high price elasticity of demand, is not likely to exist, unless the people are sure that the rise of price is only temporary and that price will fall after a short period, with an increased supply of goods and services.

The most appropriate time to employ deficit finance for economic development is when there is a tendency for recession, when unemployed resources are available, and when people expect prices to fall. It then gives the government an opportunity to devote deficit-financed expenditures to long-term investment without obtaining immediate returns, and yet without the fear of creating excessive effective demand. Long-term investment, if made during a recession, serves to start a revival. However, unlike developed countries, many under-developed countries even in a recession cannot take a very large dose of expenditure based on budget deficit. Since the price of capital equipment and the rate of interest in developed countries are usually low in a recession, it would be most advantageous if the budget deficit for development purpose in under-developed countries were to be financed by foreign borrowing, in addition to domestic borrowing. In this way the development programme can be much enlarged. If a large number of the under-developed countries adopt investment programmes during a world recession, the increase in the world demand for goods arising from foreign loans will also help to check the world recession.

On the other hand, without a prevailing deflationary tendency, a development programme based on budget deficit should be concentrated on projects with immediate returns and with a fairly large output-capital ratio so that the increased production may meet the increase in effective demand without too much time lag. Community projects to increase productivity in agriculture are

considered as one of the appropriate fields. Deficit finance for economic development is not appropriate when there is an inflationary tendency or when people expect prices to rise.

The magnitude of deficit finance which is considered to be safe for a particular country at a particular time depends on the deficit/income ratio, the money/income ratio, the credit/money ratio, the propensity to consume which is determined by the level of income and level of living, the extent of unemployed or under-employed resources available, the time lag between investment and the flow of final products, the availability of foreign-exchange resources which can be used as a cushioning factor, the habit of cash hoarding, the general state of expectation of the people, the effectiveness of the various controls, the response of the people to the appeal for public support, etc.

Budget deficit for economic development, if used indiscriminately, may not achieve the desired transfer of real resources from the private sector to the government. This may happen especially when a long-term development programme is adopted at a time when favourable conditions do not prevail, or when the magnitude of the deficit exceeds the maximum amount the social and economic conditions of a country can permit. In these cases, effective demand of the private sector may not fall to make room for government expenditure; in fact it may increase with the increase in the effective demand of the government, so that the private sector would be competing with the government for the existing level of production, or for the level of production which has increased insufficiently to meet the increased effective demand. Prices would rise and the government would have to increase its planned budget deficit to finance a given development programme. Balance of payments difficulties would increase and ultimately even the existing rate of exchange might not be maintained. This is especially true when the public expect a rise of price so that there is an increase not only in the demand for immediate consumption and investment, but also in the demand for hoarding goods,—both producer goods and consumer goods. The result would be a slowing down of the development programme as part of the real resources would be prevented from being utilized. In an extreme case, the effective demand may increase at such a rate that irrespective of how fast the government increases its deficits, little additional real resources would be transferred to the government by this means. Such a trend, once started, is difficult to check, and the government should take extreme care in planning its expenditures based on government deficit, together with suitable controls and appeals to prevent such a situation from arising.

THE APPLICATION OF MULTIPLE EXCHANGE RATES IN SELECTED ASIAN COUNTRIES

INTRODUCTION

The multiple exchange rates system has been widely used among the under-developed countries during the post-war years. Most Latin American countries and most non-sterling area countries in Asia¹ have practiced this system.

According to the International Monetary Fund, an effective buying and selling rate, which as a result of official action differs from parity by more than one per cent, constitutes a "multiple currency practice."² The exchange tax in the Philippines and the defence tax in China: Taiwan on most imports and outward remittances have raised the effective exchange rates respectively by 17 and 20 per cent above the parity. In Thailand, the difference between the official rate and the Bank of Thailand's free rate is more than 70 per cent. All these have resulted in the establishment of multiple exchange rates. In Indonesia, the multiple import surcharges, of which the lowest is 33½ per cent, resemble, to some extent, the multiple exchange rates for imports. Other ECAFE countries, including Afghanistan, Hong Kong and the Republic of Korea also have multiple exchange rates. In some countries differential effective exchange rates are applied to imports or exports or both.

The present article does not attempt to analyse different multiple exchange rate systems in all these countries in Asia, but deals with three major and rather typical ones. The exchange tax applied in the Philippines, the simplest, will be treated first; it will be followed by the cases of Indonesia and Thailand which are much more complicated.

The present article attempts to answer the following questions: (a) What were the causes for the introduction of multiple exchange rates in the Philippines, Indonesia and Thailand? (b) What have been the effects of such rates on their respective balance of payments? (c) What have been the effects of such rates on inflation and deflation? Comparison will be made with single-rate devaluation, quantitative restrictions and taxes and subsidies, and indication given on the prospects of the multiple exchange systems.

THE EXCHANGE TAX IN THE PHILIPPINES

In the Philippines, in view of the inapplicability of alternative measures, the exchange tax was introduced in March 1951 in order to correct the actual and prospective disequilibrium in the balance of payments, which was caused chiefly by post-war inflation and by the sudden reduction in the United States disbursements beginning in 1950.

Nature of the payments problem

Owing to the war-time destruction of productive capacity and economic dislocation, production in the Philippine was very low during the early post-war years. This, coupled with the need for meeting domestic consumption, reduced considerably the availability of exports. In addition, the low level of production and export of non-monetary gold also reduced the capacity to import. The decrease in the volume of export was, however, largely offset by the improvement in the terms of trade in early post-war years. In 1948, while physical export was 26 per cent below that in 1937, the terms of trade rose above the 1937 level by 24.4 per cent.

While the country's capacity to import deteriorated slightly, its need for imports increased tremendously, for supplementing the meager production of foodstuffs, meeting the pent-up demand, replenishing the depleted inventories and rebuilding the country's productive capacity.

From 1946 to 1949, exports of merchandise and non-monetary gold financed less than one half of the imports. The heavy importation was made possible by the large dollar disbursements from the United States, including the US military expenditure, US pensions to war veterans, Philippine war damage claims, US surplus grants, etc. These amounted to about P700 million annually from 1946 to 1949, and more than financed the trade deficit except in 1947. The balance of payment disequilibrium was, therefore, temporarily concealed.

The balance of payments difficulties started to manifest themselves in 1949. In that year, although physical production and exports continued to increase, the terms of trade deteriorated by about 40 per cent on account chiefly of the substantial fall in export prices arising from the short recession in the United States. The total value of exports fell by about 25 per cent.

1. In Hong Kong, a sterling area country, multiple exchange rates also exist. See IMF, *Fifth Annual Report on Exchange Restrictions*, 1954, p. 171.

2. IMF, *First Annual Report on Exchange Restrictions*, p. 144.

The total value of imports was maintained at a high level, although by the end of 1948, the extra-ordinary demand for imports seemed to have been largely satisfied. The excessive imports reflected the high level of money income and the high prices of home goods relatively to import goods, both of which were caused by inflation and reflected the over-valuation of the peso.

The inflation was attributed chiefly to large United States Government disbursements, Philippine Government expenditure, and private investment.¹ Moreover, a substantial portion of the increased private investment was diverted to commerce and real estate.² Production failed to expand rapidly and did not keep pace with high consumption, a substantial part of which was met by excessive imports, including non-essentials and luxury goods. Both the high level of consumption and investment were made possible by the large US disbursements which not only increased personal money income, but also financed largely the government deficit and the excessive imports.

In addition to inflating the money income, these disbursements also created demand for imports through their effect on relative prices. The increased income arising from these disbursements was spent on domestic products as well as imports. As the supply of domestic goods is much less elastic than the supply of imports and no control on imports was exercised, prices of domestic goods relatively to those of imports rose more than would have otherwise prevailed. The comparatively low prices of imports thus tended to stimulate substitution of imports for domestic products.

So long as these disbursements continued at this high level they provided foreign exchange receipts to meet the import demand resulting from income expansion. However, when they started to fall, and money income could not be reduced simultaneously to the desired extent so as to achieve a proportional reduction in import demand, the balance of payments difficulties emerged.

The inflation and increase in prices of domestic goods tended to reduce the competitive position of the Philippine exports. During 1947-49, with the exchange rate remaining unchanged while the wholesale-price and cost-of-living indices in the United States were respectively only 55 to 85 per cent higher than in 1937, those in the Philippines were respectively 400 to 450 per cent higher.

The expansion in money incomes could have been checked to some extent by levying of new taxes and greater efficiency in tax collection. However, the government failed to siphon off a suitable portion of the gross national product in the form of taxes. In 1947 and 1948 government revenue from taxes (less subsidies) accounted for only 5 and 6 per cent respectively of the gross national product. Because of the trade agreement with the United States, import duties could not be imposed on goods from the United States, which accounted for nearly 70 per cent of all imports. Other taxes had not been designed to absorb adequately the great increase in profits during the early post-war years when the rise of wages lagged behind the price increases, and the increase in wealth of the business and land-owning classes.

TABLE 1
PHILIPPINES: BALANCE OF PAYMENTS, 1946-53 (million pesos)

	1946	1947	1948	1949	1950	1951	1952	1953
Export, f.o.b.	162	514	622	497	640	778	670	772
Import, f.o.b.	-601	-1,319	-1,189	-1,173	-685	-966	-862	-971
Balance of trade	-438	-805	-567	-676	-45	-188	-192	-199
Non-monetary gold movement (net) . . . . .	..	5	14	20	23	27	33	34
US Government disbursements and grants ^a	667	694	704	733	512	220	284	306
Private capital movement & net errors & omissions	- 50	106	-133	-152	-122	40	44	12
Other	- 24	-112	-147	-239	-169	-196	-149	-168
Capital and monetary gold of official and banking institutions (net)	155	112	129	314	-199	97	- 20	15
Gold and foreign assets of banking institutions at the end of period	928	996	926	568	740	632	634	614

Sources: International Monetary Fund, *Balance of Payments Year-books and International Financial Statistics*.
a. Including US military expenditures, US pensions to war veterans,

Philippines war damage claims from the United States, US surplus property grant, US Government services grants and ECA/MSA grants.

1. For statistics, see Central Bank of the Philippines, *Annual Report*, 1953, national account tables.
2. *Report to the President of the United States by the Economic Survey Mission to the Philippines* (Washington, D.C., 9 October 1950), p. 2.

The balance of payments difficulties in 1949 resulted in a large reduction in the foreign exchange reserves; the reduction was especially large during the last quarter of 1949. As the US disbursements were expected to decrease in 1950, the balance of payments difficulties would be more severe than in 1949. Thus, toward the end of 1949, an emergency measure in the form of strict import control was imposed.

Alternative measures

Import controls, first put into effect in January 1949, were relatively moderate and affected mainly luxury items. It was only when the balance of payments situation became critical from 1 December, 1949 onward that controls were extended to cover all imports, which were subject to licensing by the Import Control Board. Percentage cuts allowed by the new controls ranged, taking the average import value of 1946 to 1948 as the base, from not more than 40 per cent in the case of prime imports to 80 to 90 per cent in the case of luxury imports.

Exchange control was imposed on 9 December 1949. All transactions in gold and foreign exchange except those for merchandise imports (including costs, insurance and freight) covered by import licences, were subject to licensing by the Central Bank. Thereafter, profit and dividend remittances and foreign employers' transfers were restricted to certain portions of the net profits.

In order to avoid an unwarranted rise in the prices of imports because of these restrictions, price control was adopted in mid-1950.

The import controls produced an immediate effect in reducing imports. The total value of imports in 1950 fell by about 40 per cent from that in 1949 and the trade deficit was reduced from P676 million to P45 million, which was only less than 10 per cent of the total value of exports. The small deficit on current account and the outward movement of private capital were more than offset by the US disbursements (which were reduced) and foreign exchange reserves increased.

Although import controls have had an immediate effect in reducing imports, they are not a sufficient remedy by themselves. A large portion of the expenditure that had been cut off from imports would be diverted to domestic goods; this tended to raise their prices and make price control ineffective. The reduction in the supply of imported goods without a corresponding decrease of expenditure would also raise the prices of imported goods. The rise in the prices of imported goods resulted in windfall profits to the importer, which tended

to induce favouritism in the granting of import licences. Thus, import controls, when unaccompanied by an adequate elimination of excessive effective demand, are unlikely to be successfully carried out and tend to produce ill effects on profits and real wages.

Neither is a purely deflationary policy desirable for dealing with the Philippines balance of payments. Deflationary monetary and fiscal policies take time to produce result, while the urgent need is for the country to safeguard its foreign exchange reserves. Moreover, an attempt to deflate money income to such an extent as to eliminate the balance of payments deficit would probably result in considerable unemployment, as a given reduction in imports must be brought about by a four or five-fold reduction in money income—taking the propensity to import in the Philippines to be around 0.20 to 0.25.¹

Devaluation was a possible solution, but it was administratively difficult and economically undesirable. In accordance with the trade agreement with the United States no change in the par value of the peso shall be made by the Philippine Government without the approval of the President of the United States. The approval of the US President on a proposed devaluation of the peso might take time, as it would at least be difficult to agree on the extent and timing of the devaluation.

Economically, devaluation might produce undesirable effects in the prevailing situation. Undoubtedly, devaluation would be effective in reducing imports. However, it would raise local prices of all imports—whether essential or non-essential—to the same extent, and would not have a selective effect. Higher prices for major wage goods such as imported clothing materials, would have an unfavourable effect on the poor class.

On the export side, devaluation would probably have only a negligible effect in increasing production of export goods. With the notable exception of coconut oil, the difficulties of increasing production in the Philippines during the period were of a technical, rather than price, character. The production of export crop was very profitable as the wage rates in agriculture rose less than prices. The increase in profitability of exports might reduce some home consumption and increase export availability. However, such reduction would not be quantitatively significant because home consumption of export goods is relatively small in the country. Moreover, as time passes, the rise in the local prices of export goods would be transmitted to those of agricultural

1. Ratio of the total value of imports to the total available means for 1947 to 1949 when imports were not seriously affected by controls. For figures of imports and total available means, see Central Bank of the Philippines, *Annual Reports*.

commodities for domestic consumption, as the domestic agricultural commodities compete with export goods for labour. Thus, on the export side, devaluation would result in a slight increase in export quantity and a large increase in export profits without appreciable increase in foreign exchange earnings, if any. Such increase in profits, combined with the unselected rise in all import prices, would produce ill effects on the distribution of income.¹

The exchange tax and its effects

As neither quantitative restrictions nor deflationary policies were found adequate in coping with the Philippine balance of payments problem, the Economic Survey Mission sent by the President of the United States in 1950 to the Philippines recommended the imposition of a special emergency import levy, a heavy excise tax, or an exchange tax, while at the same time maintaining quantitative controls.² The mission thought that the simplest way of solving the Philippine balance of payments problem would be the imposition of a special emergency import levy of 25 per cent on all imports except rice, corn, flour, canned milk, canned fish, and fertilizer for a period not to exceed two years. Such a levy would have many advantages. It would have little effect on the prices of home-produced agricultural goods, whether for local consumption or for export. It, therefore, would not inflate the incomes of exporters and would be unlikely to reduce much the real income of the poor. Moreover, such a levy would, by transferring from importers to the government much of the windfall profits, increase the government revenue, and reduce the inflationary pressure generated from the public sector. However, it would not raise much the local prices of imports which were chiefly determined by the limited supply on account of the import control. Furthermore, by reducing the excessive importers' profit margins, import control would be easier and more efficient and might even be somewhat relaxed.

The mission recommended further that if such a special emergency import levy could not be imposed because of legal limitations of the trade agreement with the United States, heavy excise taxes, particularly on luxury imports, might be one alternative. Another alternative recommended was a tax of 25 per cent on all foreign exchange remittances.

The Philippine Government chose to levy the exchange tax, being 17 per cent of the value in pesos of foreign exchange sold by the Central Bank and its

agencies effective 28 March 1951. As a result of rising world prices for the Philippine exports after the outbreak of the Korean war and continuous application of stringent exchange and trade controls, the balance of payments position of the Republic showed substantial improvement from mid-1950 and the exchange tax adopted by the Philippine Congress was somewhat lower than had been recommended by the mission.³

The principal difference between the import levy and the exchange tax is that the latter also applies to certain non-trade remittances—profits, capital outflow, travel, and personal remittances.

There are certain exceptions. The tax collected on the sale of foreign exchange and for certain essential imports and services are either exempted or refunded.⁴

The exchange tax thus imposed modified the exchange value of the peso and resulted in multiple exchange rates.

The most important effect of the exchange tax was to siphon off the importers' windfall profits⁵ to the government, eliminate the budget deficits, and weaken the inflationary pressure, thus helping to remove the balance of payments difficulties. After the imposition of the exchange tax, government revenue increased considerably. The budget balance turned from a large deficit of P153 million in 1949/50 (the year preceding the outbreak of the Korean war) to a large surplus of P117 million in 1951/52. The exchange tax revenue, estimated at P150 million, accounted for about one-fourth of total tax revenue in 1951/52. In the 1953/54 budget the estimated revenue from the exchange tax was smaller, as it was based on the assumption that the tax rate would be reduced from 17 to 12½ per cent. As this revision was repealed and the rate remained at 17 per cent, actual revenue from this tax is not likely to decrease much. The revenue thus raised may be used at least partly for financing economic development.

4. The tax collected on the sale of foreign exchange used for the importation of certain specific foodstuffs, drugs, medicines, and hospital supplies, books, book paper and newsprint, and articles or containers used in manufacture are refunded upon compliance with the regulations laid down by the Central Bank. The following items are exempted from the exchange tax: (a) payments for machinery and/or raw materials to be used by new and necessary industries; (b) expenses for the dry docking and repair abroad of Philippine vessels; (c) living expenses of students studying abroad not exceeding the equivalent of three hundred dollars per month, and payment of tuition and other school fees; and (d) premium on US veteran's life insurance policies, other non-peso life insurance policies contracted prior to 9 December 1949, marine and aviation insurance and reinsurance contracts.

Beginning July 1952, certain modifications were introduced. Items (a) and (b) were changed from granting of refunds to outright exemption, and two other items were added for exemption from the exchange tax, i.e. (1) supplies and equipment purchased directly by and for the Armed Forces of the Philippines and the Civil Aeronautics Administration, and (2) agricultural machinery and implements and their spare parts and accessories.

5. It may be noted that the exchange tax, which gave a *de facto* devaluation of the import rate, kept the over-valued export rate unchanged. Thus in a way the exporter also had to bear implicitly some tax burden.

1. E.M. Bernstein, "The Bell Report and the Philippine Payments Problem", 8 November 1950 (an unpublished paper).

2. Report to the President of the United States by the Economic Survey Mission to the Philippines, pp. 86-89.

3. See IMF, Annual Report, 1951, p. 55.

TABLE 2

PHILIPPINES: EXCHANGE TAX AS COMPARED WITH IMPORT DUTIES AND TOTAL TAX REVENUE

(million pesos)

	1948/49 A	1949/50 A	1950/51 A	1951/52 A	1952/53 A	1953/54 E
Exchange tax (I)	—	—	38 ^a	150 ^a	116 ^b	65 ^c
Import duties	26	26	26	32	28	25
Total tax revenue (II)	362	329	443	655	601	636
Total revenue (III)	426	381	510	752	700	706
Surplus or deficit	— 41	—153	—13	117	6	— 32
Percentage of (I) to (II)			9	23	19	10
Percentage of (I) to (III)			7	20	17	9

Sources: United Nations Fiscal Division and Central Bank of the Philippines, *Annual Reports*.

Note: A=actuals, E=estimate.

a. Actual net collection from 29 March 1951 to 30 June 1952 amounted to P.188 million. Yearly figures are estimated.
b. Actual net collection; budget estimate was P.96 million.
c. Draft estimate based on reduced rate of the tax.

The direct effect of the imposition of the exchange tax on the balance of payments is difficult to determine quantitatively. However, the exchange tax seems to have made the task of quantitative restriction much easier and more effective. Since the imposition of the exchange tax, import control was gradually relaxed, owing partly to the increase in export earnings during the Korean-war boom. But after the boom abated, the Philippines did not feel it necessary to tighten its import control. This fact might serve as a proof that the gradual disappearance of inflation, the imposition of the exchange tax, and the existence of limited import control contributed to the achievement of a workable balance of payments equilibrium.

The Report of the Economic Survey Mission anticipated that the imposition of the exchange tax would not raise much the prices of imports but would reduce substantially the importers' profit margin, since under the quantitative import control, prices of imports were chiefly determined by the degree of scarcity and price control was generally ineffective. This argument could be supported statistically by a comparison of rough indices of c.i.f. prices and retail prices of imported goods by quarters during 1951 and 1952, which does not show a significant widening of these two indices after the imposition of the exchange tax.¹

If the exchange tax had negligible effect on the increase of local prices of imports, it could not have any effect of protection for domestic industries competing with imports. Whatever protection those industries enjoyed might be said to have been derived from quantitative import control. However, the exemption of exchange tax on the importation of agricultural machinery and capital goods and raw materials for new industries encouraged the establishment and expansion of such

industries. There have been very light quantitative restrictions on such imports. The conspicuous expansion in industrial capacity and output during recent years was, to a large extent, due to the import control and the selected exemption clause of the exchange tax.

Conclusion

The exchange tax has become an integral part of the Philippine economy. Its contribution to government finance and the maintenance of a balance in international payments is so important that its removal or even reduction is difficult, if it is not adequately replaced by some other taxes, particularly the import duty. The government intended to reduce the rate from 17 to 12½ per cent as from 1 July 1953 and to eliminate it altogether from 1 January 1954. However, the decision was reversed on 16 June 1953 and the rate of 17 per cent was restored until 30 June 1954. The rate has subsequently been further extended for another year.

It seems highly likely that the exchange tax will be maintained, pending the institution of more satisfactory measures through a revision of the Bell Trade Act. The most logical solution seems to be that of absorbing the exchange tax into the tariff system. An adequate tariff system will not only provide the government with sufficient revenue which is now derived from the exchange tax, and check the over-all import demand by an increase in the local cost of imported goods, but will also offer selective protection to domestic industries not possible under the exchange tax, although tariff would not effect non-trade transactions in the balance of payments. In case the Philippine Government will also, by a revision of the Bell Trade Act, obtain the autonomous power in changing the exchange value of the peso, it might also, in due course, consider the establishment of an equilibrium rate of exchange in connection with the setting up of a new tariff system.

1. Central Bank of the Philippines, *Annual Report*, 1952, p. 14.

MULTIPLE EXCHANGE RATES IN INDONESIA

The immediate post-war economic situation in Indonesia was somewhat similar to that in the Philippines. Productive capacity had been seriously destroyed and export availability, especially that of sugar, considerably reduced. Import demand was extraordinarily large for rehabilitation and reconstruction and for meeting the pent-up consumers' demand. Meanwhile, money supply had increased tremendously; it was, at the end of 1947, 6 times the pre-war figure (end of March 1938). The great expansion in money income increased considerably the demand for import as the exchange rate was depreciated by only 44.6 per cent on 7 March 1946.¹

Owing to these unfavourable factors, the pre-war trade surplus changed into a substantial trade deficit in early post-war years. This, together with the usual deficit on services account, resulted in a large deficit on the goods and services account, which amounted to Rp 500 million in 1946 and Rp 600 million in 1947. Indonesia, in this regard, was not so fortunate as the Philippines which received large US disbursements immediately after the war ended. In Indonesia, on account of changes in the political situation, there had been substantial outflow of private capital. Meanwhile, large Dutch and United States grants and loans, which did not come in until 1948, helped only in 1948 and 1949 to halt temporarily the rapid depletion of foreign exchange reserves. However, the fundamental disequilibrating factors still existed and once these grants and loans stopped, the imbalance on international accounts re-emerged.

The September 1949 devaluation contributed very little to the rectification of the imbalance. The devaluation of the Indonesian rupiah in terms of US dollars was carried out in line with the devaluation of the Dutch guilder and the pound sterling. A depreciation of the exchange rate of 30.2 per cent was too limited in comparison with a six-fold rise in prices in Indonesia, while prices in the United States rose by only 50 per cent as compared with the pre-war period. Moreover, as the Dutch guilder was also devalued to the same extent, no adjustment in the exchange value of the rupiah was made in relation to the Dutch guilder, although inflation in Indonesia was much more severe than in the Netherlands, the major trading country with Indonesia.

To correct the over-valuation of its currency and the disequilibrium in its balance of payments, Indonesia

chose a differential devaluation of the effective buying and selling rates through the establishment of an exchange certificate system in March 1950. The multiple exchange rates thus introduced had to be changed several times later on.

The exchange certificate system, Mar. 1950—Feb. 1952

On 13 March 1950, an exchange certificate system was introduced, according to which the exporters, in addition to the official exchange value (i.e. Rp.3.81 to the dollar), would receive certificates in Indonesian currency from the Foreign Exchange Fund for one half of the exchange value that was submitted to the fund. For the other half of the exchange value, for which the fund did not issue certificates to the exporters, the fund itself sold certificates of an equal amount on the market, through the intermediary of a bank. In addition, the fund might create new certificates without basing on the foreign exchange surrendered by the exporter. Those who had to make foreign payments had to purchase such certificates in order to obtain foreign exchange from the fund. The rate of the certificate was fixed by the fund at 200 per cent of the face value. Thus what the exporter could obtain from one dollar of exports was twice the official exchange rate, i.e. Rp 7.62, which was the *effective* export rate, and what the importers had to pay for one dollar was thrice the official exchange rate, i.e. Rp 11.43, which was the *effective* import rate. In other words, there was a *de facto* devaluation of the export exchange value by one half and a *de facto* devaluation of the import exchange value by two-thirds. The spread between these two rates thus constituted the main feature of the Indonesian multiple exchange rate system. Indonesia chose to devalue its import and export rates differently, chiefly for the following reasons.

On the export side, the *de facto* devaluation was intended to adjust the unfavorable cost-price structure of the export industries. Minimum wages in estate agriculture increased more than five-fold from December 1941 to December 1949, while the currency was devalued by about one-half as much during the same period. Thus local currency proceeds of the foreign exchange at the official rate in relation to the cost appeared to be insufficient, especially for the marginal producers.²

1. Before the war, the Indonesian guilder was at par with the Dutch guilder; 1.80 Indonesian guilder was equal to one dollar. On 7 March 1946 it was devalued at the rate of 2.66 Indonesian guilder to the dollar; it was still at par with the Dutch guilder which had been devalued a week earlier. On 21 September, it was further devalued to 3.81 Indonesian guilder to the dollar, along with the devaluation of the Dutch guilder to the same degree.

2. Even before the introduction of the certificate system, some inducement measures had to be used in order to keep the flow of export goods remunerative, which meant in reality a correction of the export rate. However, these measures seemed to have been too complicated in practice and insufficient in amount, and a general effective devaluation of one half of the rupiah exchange value was thought necessary to bring in line the cost-price structure in the export industries. The system of inducement for certain exports was essentially still maintained after the devaluation, although certain simplification was made. For details, see *Java Bank Report, 1950-51*, pp. 40-43.

If the over-valued currency was to be maintained, considerable deflation had to be carried out. The latter was almost impossible especially because government expenditures could hardly be reduced in the then prevailing circumstances.

Whether the devaluation of the export exchange would increase the foreign exchange earnings from exports depended on many factors, among which the most important were the elasticity of foreign demand and the elasticity of home supply of exports. While the elasticity of foreign demand for Indonesian exports might have been greater than unity, the supply of Indonesia's exports which consisted mainly of agricultural and mineral products, was not very elastic, at least during the first few years after the end of the war when physical limitation and insecurity were the major handicaps. A larger devaluation of the export exchange, while it might increase exporters' profits, might not increase much the exchange earnings. However, on the import side, it was thought that to devalue the import exchange to the same degree, might not be sufficient to check imports.

The operation of the exchange certificate system, which gave rise to a spread between effective import and export rates, brought profits from private importers to the Foreign Exchange Fund for the government, at a rate of Rp 3.81 to every dollar of imports. This profit might be regarded as a tax on international trade,

which had a disinflationary effect, as compared with unitary devaluation. As the profits realized from the sales of exchange certificates were part of the government revenue, they helped to reduce the government deficit.¹

To what extent the foreign exchange certificate system which resulted in more realistic effective import and export rates contributed to the improvement in the balance of payments is difficult to determine. On the export side, its effect was over-shadowed by the sudden increase in foreign demand for Indonesian products in connexion with the Korean war. It was difficult to distinguish how much of the increase in exports was due to the autonomous increase in foreign demand and how much of it was due to the more favourable exchange rate, although it was more or less certain that the former was much more important than the latter.

On the import side, the value of imports in 1950, for the first time in the post-war period, ceased to expand temporarily. However, a number of factors other than the effective devaluation of the rupiah import exchange value might also have contributed to this result. For instance, the pent-up demand seemed to have disappeared by 1949, the demonetization measure had tended to reduce the purchasing power of the private sector, and there had been some time-lag between the creation of the exchange certificates and their actual use for imports which halted temporarily actual imports.²

TABLE 3

INDONESIA: TAXES ON INTERNATIONAL TRADE COMPARED WITH TOTAL REVENUE,^a 1949-53

(million rupiah)

	1949	1950	1951	1952	1953
A. Exchange certificates and import surcharges ..	—	881	4,122	2,082	1,650
B. Additional export duties	—	—	—	1,066	503
C. Export duties	120	499	1,309	753	547
D. Import duties	208	544	1,404	1,396	1,295
E. Total tax on international trade (A+B+C+D)	328	1,924	6,835	5,237	3,995
F. Additional tax on international trade (A+B) ..	—	881	4,122	3,148	2,153
G. Total net revenue	2,602	4,093	10,303	9,684	9,707
H. Total net expenditure	3,907	5,829	9,108	13,192	11,947
I. Over-all balance	-1,305	-1,736	1,195	-3,509	-2,240
J. Percentage of E to G	12.6	47.0	66.3	54.7	41.2
K. Percentage of F to G	—	21.5	40.0	32.5	22.2

Sources: *Economics and Finance in Indonesia*, September 1953 and July 1954 issues; *Java Bank Reports*, 1950-51 to 1953-54.

a. Provisional results.

1. However, such a disinflationary policy was considered insufficient by the Indonesian Government, and a parallel measure of demonetization was undertaken. The reason was that while the rupiah import exchange value was devalued to about 1/6 of the exchange value in 1938, the money supply should rise by no more than 6 times over that in 1938, if an equilibrium were to be maintained. Counting in this manner, there was in February 1952 an excessive money supply of Rp. 1,500 million which the demonetization measure adopted on 19 March 1950 was intended to reduce. Paper money bearing a denomination exceeding 2.50 guilders were split into two

halves. The left halves had the force of legal tender for one half of the printed value until 9 April 1950 from thence they should be exchanged for new notes. The right halves might be used up to one half of the face value for the acquisition of 3 per cent Government bonds. Similar measure applied to bank deposits. From 18 March 1950, the banks had to transfer one half of the deposits to a blocked account to be opened as subscription to the three per cent Government bonds.

2. *Java Bank Report*, 1950-51, p. 35.

As a result of these developments the trade balance turned from a deficit of about \$15 million in 1949 to a huge surplus of about \$334 million in 1950. The country's foreign exchange reserve therefore also increased considerably.

The monetary effect of the exchange certificate system was apparent. In 1950, as the level of import was comparatively low, the profit from the sales of exchange certificates was also low. However, as it amounted to Rp 881 million¹ and accounted for 22 per cent of the total revenue, it was a valuable contribution to government finance. Had there been no profits from the sale of exchange certificate, the deficit in 1950 would have been much larger.²

In 1951, the Korean-war boom further raised Indonesia's export earnings which enabled the country to finance larger imports and relax to some extent the import restrictions. Meanwhile, import demand also expanded on account of an increase in money income arising from the large government expenditure and exports. Thus the total value of imports increased from \$443 million in 1950 to \$855 million in 1951. In order to meet the increased import demand without at the same time allowing too great an amount of non-essential goods to enter the country, the Indonesian Government introduced the import certificate in March 1951. The certificate was not issued to the exporters but must be obtained, in addition to the exchange certificate, by importers for importation of non-essential goods not included in the government import scheme. The price of the import certificate was fixed at 200 per cent of the official exchange rate. Thus the effective exchange rate for importing such commodities was 5 times the official rate, i.e. Rp 19.00 per dollar.

The high level of imports and the introduction of an import certificate yielded large profits to the government through the sale of the import and exchange certificates; such profits increased to Rp 4,100 million and accounted for 40 per cent of the total government revenue. Thus, for the first time during the post-war period, Indonesia achieved a surplus in its budget. Had not the certificate system siphoned off a part of the windfall profits of private traders for transfer to the government, inflation would have developed more severely. In appeared in 1951 that while the extraordinary increase in foreign demand accounted chiefly for the improvement in the

balance of payments, the operation of the exchange and import certificate system, resembling an additional export and import tax, contributed significantly to reducing the inflationary pressure, although additional anti-inflationary measures might be still necessary.

The abolition of exchange certificates and the unification of the exchange rates, February—August 1952

The exchange certificate system, while operating rather successfully during the Korean-war boom, was found to be defective after the abatement of the boom and was abolished.

It was true that the *de facto* devaluation of the rupiah export exchange value by one half had corrected generally the unfavourable cost-price structure of the export industries which existed before the introduction of the exchange certificate system. However, while this adjustment had gradually lost its force it had been distorted by a more depreciated rupiah import exchange value. The more depreciated import exchange and the rising world prices raised the local prices of rice and cost of living. This resulted in the demand for higher wages which the export industries had to pay. Moreover, while the exporter earned only Rp 7.60 per dollar's worth of his commodity, he had to pay Rp 11.40 per dollar's worth of his import requirements for production.

This difficulty was generally not felt by the export industries during the Korean-war boom, for world prices of Indonesian exports rose tremendously and brought in extraordinary profits despite the unfavourable import rate. However, as the export prices started falling steeply early in 1951, the difficulty began to emerge, and was aggravated by the continuous rise in world rice prices.

This difficulty, which differed for various industries according to the extent to which they were affected by the boom, was not much felt by the rubber and tin industries in 1951, as the rubber and tin prices, though falling sharply in 1951, still remained at comparatively high levels. For other industries, whose products were not in very great demand abroad even during the boom, the effect of the price fall was immediately felt to be very serious. The most obvious examples were the tea and tobacco industries which at first, by virtue of the introduction of the certificate system, were once more in a position to operate on a reasonably profitable basis in 1950 were for the most part in 1951 working at a loss again.³ The different effects on different export

1. *Ibid.*, p. 32.

2. Meanwhile, the demonetization measure converted compulsorily some Rp.1,600 million currency and deposits into a 3 per cent government loan. The total money supply fell from Rp.3,850 million at the end of February 1950 to the lowest level of Rp.3,180 million at the end of May 1950. From May onward, however, it rose again and passed the February level in September.

3. *Java Bank Report, 1951-52*, p. 110.

industries proved that the exchange certificate system, which was equivalent to the application of an additional uniform *ad valorem* duty of 33-1/3 per cent on international trade, lacked the selective power.

To remedy these defects, the exchange certificate system was abolished on 4 February 1952 and the wide spread between the effective import and export rates eliminated. In other words, the export exchange was devalued by one-third, while the import rate remained unchanged; thus resulting in a unification of the import and export rates.

Meanwhile, an extra export duty was introduced of 25 per cent for the export of rubber and copra, and 15 per cent for the export of palm oil, palm kernels, tin, tin ore, petroleum, pepper and coffee. The imposition of the differential extra export duties, which retained a part of the profit formerly received by the government from the foreign exchange certificate system, also took into account the different adjustments in cost-price structure required by different export industries. To those export commodities for which foreign demand was weak, the full benefit of the one-third devaluation of the export exchange accrued, as no additional export duty was imposed; exporters' income in rupiahs increased by approximately 50 per cent. In the case of rubber and copra, the foreign demand for which was still strong, the advantage of devaluation was largely offset by the imposition of an extra export duty; the net result was an increase of rupiah export proceeds by about 12 1/2 per cent. For those articles with less strong foreign demand but liable to the 15 per cent extra export duty, the net increase in rupiah export proceeds was about 27 1/2 per cent. The differential changes which either reduced the unprofitability or increased the profitability of various exports, tended to stimulate exports or prevent them from falling.

With the abolition of the foreign exchange certificate system, the wide disparity between the effective exchange rates for incoming and outgoing remittances on account of "invisibles" likewise disappeared. Outward remittances for transfer of profit and redemption, family and other allotments of foreign workers, and for other non-import purposes, could be effected within the framework of the foreign exchange licence system at the new official bank selling rates for foreign currencies. With regard to inward remittances and payments for exports and other purposes, settlement was effected at the new official bank buying rate.

With the unification of the import and export rates, the multiple exchange rates almost disappeared. However, the existence of various inducement schemes and

the introduction of the "dollar certificate" still resulted in multiple exchange rates which were applied to a limited number of fields.¹

The combined effect, on the total value of exports, of the devaluation of the export exchange and the imposition of extra export duties is difficult to determine, as other factors, of which the most important on the export side during 1952 was the continuous decline in foreign demand, were also at work. The total value of exports fell from \$1,257 million in 1951 to \$886 million in 1952—a 40 per cent decline.

With the abolition of the exchange certificate system, government revenue from the sale of such certificates disappeared. However, as a large number of foreign exchange contracts entered into by the Exchange Fund with importers prior to the date of discontinuance of the system were settled in the course of 1952, the government received Rp 2,082 million from such settlement. Revenue from the additional export duty levied as from 4 February 1952 amounted to Rp 1,066 million during 1952, which probably compensated largely for the loss in revenue from the sale of exchange certificates.

The import surcharges system since August 1952

Although the adjustment of the export rate (taking into consideration the imposition of extra export duties) undertaken by the government in February 1952 enabled the Indonesian export products to compete more favourably in the international market, it did not succeed in preventing the balance of payments from deteriorating because of the continuation in the decline of foreign demand and world prices for these products. In order to keep the export industries from being further adversely affected, the extra export duties had to be gradually reduced or eventually removed as shown below:

1. The "import certificate" was still required for the importation of certain non-essential and luxurious goods and the rate was quoted somewhat higher than before. A dollar certificate system was introduced on 4 February 1952. Under this system exporters whose proceeds were dollars received, in addition to rupiah at the official rate, 70 per cent of such proceeds in negotiable dollar certificates at a certain rate per dollar. Importers of dollar goods were required, on the other hand, to submit, in addition to the required sum in rupiah at the applicable rate, such certificates for the full amount of the exchange required, also at a certain rate per dollar. The rate per dollar, for these certificates was established initially in free market trading but shortly after the introduction of the system the exchange authorities began stabilizing operations and gradually reduced the rate until on August 26, 1952 it reached .25 rupiah per dollar. Thus for each dollar of export, the exporter received Rp. 0.25 x 70/100, i.e., Rp. 11.530 and for each dollar of import, the importer had to pay Rp. 11.445 (official selling rate) plus Rp. 0.25, i.e., Rp. 11.695. The arrangement was intended to make exports to the dollar area more profitable than to the soft-currency areas, and imports from the dollar area more expensive than from the soft-currency area, thus improving the country's balance of payments position with the dollar area. It also resulted in official broken cross-rates which were more or less in line with the cross-rates on the world free exchange markets. The rate of the dollar certificate was maintained at Rp. 0.25 per dollar until December 31, 1953 when it was abolished, with the authorities paying exporters a premium on the basis of this rate without the issue of certificates, and charging importers a 0.25 rupiah per dollar surcharge, without requiring the presentation of a certificate. *Jawa Bank Report, 1951-52*, pp. 110-111; IMF, *International Financial Statistics*.

TABLE 4
INDONESIA: RATES OF EXTRA EXPORT DUTIES

(percentages)

	4 Feb., 1952	1 June, 1952	1953	1954
Rubber	25	15	10	—
Copra	25	25	10	10
Palm oil & palm kernels	15	15	—	—
Coffee, pepper . . .	15	15	15	15
Tea	15	15	—	—

Some ordinary export duties were also abandoned. In general the rate of ordinary export duties was 8 per cent, but for several small-holders' crops the rate was lowered to 3 per cent. In October 1953 rubber was exempted from the ordinary export duty; other commodities such as tea, hard fibres, coal, petroleum products, cinchona and sugar had been exempted earlier.

It appeared that Indonesia as a competitive seller on the world market had no control over the world prices for its export commodities. Confronted with falling export prices, it could hardly prevent its balance of payments position from deteriorating simply by taking measures on the export side. Moreover, the reduction of export duties contributed to the budget deficit. On the other hand, imports continued to expand after the abatement of the boom, reflecting the high level of money income generated from the previous export boom and the large government expenditures. This expansion, together with the falling exports, accounted largely for the considerable decrease in Indonesia's gold and foreign exchange reserves. The adjustment, therefore, had to fall chiefly on the import side and the government introduced a system of import surcharges in August 1952.

The new regulation divided import commodities into four main categories: group A composed of essentials which could be imported free of surcharge; group B composed of non-essentials charged with 100 per cent of surcharge; group C consisting of luxuries charged with 200 per cent; group D consisting of articles for which no foreign exchange was provided. Shortly after the new regulations went into effect, it was discovered that there had been a considerable shift of demand from other groups to group A commodities. Meanwhile, the government considered it necessary to increase its revenue. In February 1953, therefore, a new group B1 was added, consisting of the greater part of former group A articles on which a surcharge of 33-1/3 per cent was levied. The former B group became group B2. Meanwhile, all prohibited items in group D were trans-

ferred to group C. Thus was completed the import surcharge system which still prevails today. As to invisible items, a 66-2/3 per cent surcharge has been imposed since 2 March 1954.

The main purposes of the import charges were to reduce imports and increase revenues without raising the workers' cost of living and the labour cost of production, thus achieving a better balance in international payments as well as government finance. Group A articles, consisting of essential imports (such as basic foodstuffs, the simpler kinds of textiles, raw materials and equipment needed by agriculture and industries producing for the export market or producing non-luxuries for the Indonesian market), are admitted into the country free of import surcharges in order to avoid a rise in prices to the consumer or a rise in production costs to vital undertakings.

Group B1 includes two types of commodity. The first type is semi-necessities the demand for which is considered to be inelastic; on those articles a 33-1/3 per cent surcharge is levied so as to yield a substantial revenue to the government. The second type includes a number of "infant-industry" items which, given a limited period of moderate protection, can be produced efficiently in Indonesia. It was felt that the protection afforded such "infant-industries" should not be too high, as the ultimate aim is to expose them to competition once they are "grown up," and too high a protective wall would encourage the establishment of industries which, not really suitable to the Indonesian economy, could not withstand open competition from foreign exporters.

Group B2 consists of a number of doubtful cases, in which some commodities are not obviously luxuries of the sort that should be put under group C, and yet not obviously semi-necessities that, whether for revenue or for protection purposes, should be put under group B1. They are, in effect, semi-luxuries which are important to particular individuals or firms and are put on an intermediate 100 per cent list. In this way the government hopes to reduce the volume of such imports substantially, while making it possible for those who badly need them to import them, at a price providing the government with an amount of revenue equal to the import price.

The 200 per cent surcharge imposed on group C items aims simply at discouraging their imports. It was felt that an extremely high surcharge was better than out-right prohibition. By permitting imports at the 200 per cent rate, the few cases of genuine need for these

items can be taken care of. Also, the elimination of the former group D of prohibited items simplified the administration of the system to some extent.¹

The restrictive effect on imports of the import surcharges worked both directly through the price mechanism and indirectly through the income mechanism. On the whole, the raising of prices of non-essential and luxurious imports reduced the demand for them. It is true that such imports might also have been checked by quantitative restrictions. However, the Indonesian Government did not do so for two main reasons. Firstly, quantitative controls require an efficient and honest administrative machinery which takes time to develop in an under-developed country.² Secondly, quantitative controls would raise the prices of imports and bring windfall profits to the importers and would not contribute to the reduction of government deficit. Import surcharges, on the other hand, siphoned off the purchasing power from the public to the government and thus reduced the budget deficit and the private demand for imports.

The economic effect of the multiple import surcharges is somewhat equivalent to differential devaluation of the import exchange for different import groups, while the export rate is kept unchanged. The Indonesian Government did not choose a unitary devaluation of import and export rates for various reasons.

On the import side, a unitary devaluation would raise the rupiah price of all imports—necessities as well as luxuries. It would raise the cost of living, especially that of the working class, and thereby cause a demand for high wages. It would also raise the prices of imported materials and capital goods needed for industries. Moreover, the differential import rates can take into account the different elasticities of demand for various group of commodities and thus cover both revenue and import reduction purposes.

On the export side, the difficulties faced by the export industries arising from falling prices and rising costs have already been largely alleviated by the gradual reduction of various export duties. A further devaluation would, within a short period, only raise the profits to exporters and would not increase much, if at all, the country's foreign exchange earnings. In the long run, of course, the export industries must be made really profitable. However, with the uncertainty in the world

price movements, it is difficult to tell whether eventually the adjustment should be made through a variation of the exchange rate, a reduction in costs, or an increase in productivity. Moreover, rising cost of living and higher profit for exporters in connexion with devaluation would result in a redistribution of income unfavourable to the working class. As an emergency measure, therefore, the import surcharge system appears to be preferable to a straightforward unitary devaluation.

The import surcharges produced immediate effect in the reduction of imports. The total value of imports fell from \$924 million in 1952 to \$753 million in 1953—a 12 per cent reduction. The balance of trade turned from a deficit of \$8 million in 1952 to a surplus of \$67 million in 1953.

The import surcharges yielded Rp 1,650 million to the government in 1953. Had not the government received this amount, its deficit would have been much larger, as revenue from additional export duties had been reduced by one half and that from exchange certificates had almost entirely disappeared.

The import surcharges also modified the commodity structure of imports. The share of consumption goods import fell from 53 per cent of the total import value in 1951 to 46 per cent in 1953, while the share of capital goods imports increased from 17 per cent to 21 per cent.³ This change, which was to have favourable effect on economic development, would not have been made possible by a unitary devaluation, a uniform import surcharge, or a uniform exchange tax.

Conclusions

Although violent fluctuations in the world prices of Indonesia's major exports were somewhat responsible for the frequent and drastic changes in the post-war exchange system of Indonesia, inflation had also been a major cause of its international disequilibrium. The adjustment in the exchange rates could help to adjust the cost-price structure and bring about a balance in international accounts only if inflation were stopped. If inflation were allowed to develop further, the cost-price structure would sooner or later again fall out of line and the imbalance in international payments would again emerge. Further devaluation, whether unitary or differential, would again become necessary.

The exchange certificate system, while doubtlessly contributing to a favourable adjustment of the cost-price structure initially, became ineffective subsequently

1. Benjamin Higgins, "The Rationale of Import Surcharges", *Economics and Finance in Indonesia*, July 1953.

2. Cf. Sadli, "The Background of the Modified Import Regulations", *Economics and Finance in Indonesia*, April 1953.

3. *Economics and Finance in Indonesia*, July 1954.

because of the continuous inflation. It even became undesirable because the wide spread between the effective import and export rates distorted the cost-price structure. The high import rate contributed to the high rice prices, as a result of which money wages and cost of production to export industries also rose, while the unit rupiah export proceeds were comparatively low partly because the export exchange rate was much lower than the import rate. Moreover, the complicated nature of the exchange certificate system, together with other inducement schemes, became burdensome to the business community. It appears that other alternative measures, e.g. a unitary devaluation together with differential and flexible export duties, might be a better solution, especially for meeting the 1950-51 export boom.

The import surcharge system, resembling more the tariff than the multiple exchange rates, was probably the best measure under the present circumstances. However, inflation generated chiefly by the budget deficits must be put under control and measures for increasing productivity undertaken. Otherwise, the cost of production would soon be out of line with the present exchange rate. The grading of the import surcharges might prove to be too broad to be economically desirable for each individual article. However, once inflation is arrested, the establishment of an equilibrium rate of exchange would be quite practical and such surcharges might be modified and eventually integrated with ordinary tariffs and other taxes.

MULTIPLE EXCHANGE RATES IN THAILAND¹

The development of the multiple exchange rates system

Unlike what happened in Indonesia and the Philippines, the multiple exchange rates system in Thailand was not planned from the beginning but developed gradually.

The new exchange rate, fixed at 40 baht to one pound sterling in early 1946, appeared to be over-valued.² In order to maintain an over-valued currency, a system of trade and exchange control was established.³

However, the trade and exchange control quickly proved to be a failure and the official exchange rate

could not be successfully maintained. The considerable relaxation of controls and the official recognition of the black-market exchange rates in 1947 thus resulted in multiple exchange rates, which have been maintained with subsequent modifications.

The most important cause of the failure of the control was the large-scale smuggling of rice out of the country. In addition to the unfavourable official exchange rate, the disparity between the internationally fixed price of Thai rice in terms of foreign currency⁴ and the price of rice in neighbouring countries stimulated smuggling. The smuggling reduced considerably the supply of foreign exchange to the central pool, as part of the foreign exchange earned from illegal export was either left abroad or sold in the black market.

While the exceptionally low export price of rice affected rice only, the over-valuation of the baht adversely affected all export commodities including rice. According to the Bank of Thailand, "as exporters had to surrender foreign exchange proceeds of their exports at the official rate, their baht income was low in comparison with the internal price level."⁵ This would either encourage illegal export or affect adversely the production and export of export commodities, or both.

On the other hand, the demand for foreign exchange to purchase imports was extraordinarily strong as the baht prices of imported goods, calculated at the official exchange rate, were much lower than actual domestic prices which were chiefly determined by the degree of scarcity, and yielded a huge profit margin to the importers. There tended to exist an excess demand for foreign exchange at the over-valued official exchange, a demand which could not be satisfied from the current export earnings. Importers who could not obtain official exchange would have to buy foreign exchange in the black market.

The black market developed quickly to a significant magnitude because of loopholes in the control measures and ineffectiveness in their execution. The black market rate in 1946 was generally about twice the official rate

1. Based on *Thailand's Experience with Multiple Exchange Rates*, a doctoral dissertation submitted to the University of Wisconsin, by Dr. Shu-Chin Yang, a member of the Research and Planning Division of ECAFE Secretariat.

2. The index of cost of living in 1945, with 1938 as base, was 905 in Bangkok and 162 in the United Kingdom. The relative rise during 1938-1945 in the cost of living in Bangkok, as compared with that in the United Kingdom, was therefore six times. Applying this to the exchange rate in 1938 of baht 11 to £1, the "purchasing power parity" of the baht in 1945 might appear to have been, roughly calculated, approximately 66 to the pound.

3. Imports were restricted to necessities and scarce goods while exports of surplus goods were permitted. Foreign exchange proceeds from exportation and other transactions had to be sold to the Bank of Thailand through authorized commercial banks. Such foreign exchange proceeds were allocated by a system of priorities assigned to various imported goods.

4. The exceptionally low export price of Thai rice, as fixed by the Formal Agreement between Thailand and the United Kingdom and India, was a sort of indemnity paid by Thailand on account of its association with Japan during the war, Kingdom of Thailand, *Report of the Financial Adviser, 1951-50*.

5. *Bank of Thailand, Annual Report, 1947*, page 2.

for sterling and about $2\frac{1}{2}$ times for dollars.¹ To remedy this unfavourable situation controls had to be either tightened so as not to allow any leakage to the black market or relaxed so as to give more scope to the working of market forces. Owing to the lack of organization, tightening of control could hardly be expected to work out automatically. In addition, the big difference between official and black market exchange rates provided a strong incentive for black market activities. The Thai monetary authorities thus chose to relax controls and ushered in a multiple exchange rate system.

In January 1947 licences were no longer required for either importation or exportation of goods except for the export of rice and a few other commodities which were in short supply, for the import of certain commodities which were luxuries or were related to security measures, or for protection of certain government monopolies.² Foreign exchange earnings by individuals or companies no longer had to be surrendered to the Bank of Thailand except from the export of rice, tin, rubber and teak.³ For exporters of tin, rubber and teak, the Bank of Thailand guaranteed that 50 per cent of the fully surrendered amount of foreign exchange would be reserved in each case for the importation of any goods by the respective exporters. In June 1947 exchange controls on tin, rubber and teak were further relaxed, as only 50 per cent of the exchange proceeds from tin and teak and 20 per cent from rubber (or 25 per cent if shipped from Bangkok) had to be surrendered to the Bank of Thailand. The exporters of these three commodities were allowed freely to utilize or dispose of the remaining portion for any purpose whatsoever.⁴

On the import side, the official rate was applied to sales of exchange by the Bank of Thailand only for the requirements of the government and government-controlled enterprises, for importation of petroleum products and a few other goods specified in the "first priorities" list of imports, and for the expenses of Thai students abroad. For a wide range of permissible imports not on these lists, foreign exchange had to be obtained in the free market.

Beginning March 1947, the commercial banks authorized to deal in foreign exchange were permitted to buy, sell and transfer foreign exchange without restriction. This was tantamount to giving official recognition to the free market.

The legalization of the black market and the requirements of partial surrender of foreign exchange proceeds from certain export commodities at the official rate had given rise to a system of multiple exchange rates. Besides the two basic rates, the fixed official rate (40 baht to the pound) and the fluctuating open market rate, there existed implicitly also mixed rates applied to certain exports. In addition the Bank of Thailand made available as of March 1947 sterling and Indian rupees to commercial banks for re-sale to clients in payment of direct imports into the country, at a rate slightly lower than the open market rate.

The various exchange rates to the pound sterling and their application may, taking June 1948 as an example, be illustrated as follows:

Kinds	Rates	Imports	Exports
Official rate	40.00	For the government and for favoured private imports and remittances	Rice, cement
Free market rate	60.00	All other imports and invisible payments	All exports except rice, cement, rubber and tin
Bank of Thailand's free rate	59.40	Most imported goods (as specified by the bank)	
Mixed rates:			
50% of official rate and 50% of free market rate	50.00		Tin
20% of official rate and 80% of free market rate	56.00		Rubber

To this rate structure must be added the exchange rate applicable to trade with Japan which was conducted under trade agreements negotiated and concluded periodically.

Effects on the balance of payments, 1947-51

After the relaxation of control and the introduction of the multiple exchange rates (which involved partial devaluation), Thailand's balance of payments improved and the open market exchange appreciated substantially. This improvement was the result of a considerable increase in export earnings and a slow expansion of imports. To what extent it was due to the application

1. Bank of Thailand, *Annual Report, 1947*.

2. US Department of Commerce, *Foreign Commerce Weekly*, 29 March 1947.

3. Persons selling rice to the government were allowed to purchase pounds sterling from the Bank of Thailand at the official rate to the extent of 10 per cent of the value of their rice sales.

4. In September 1947 cement was added to the list. All foreign exchange proceeds from cement export had to be surrendered to the Bank of Thailand. However, effective 31 March 1948, exporters of teak were released from this obligation of surrendering their exchange proceeds to the bank and from 11 June 1949 exporters of cement were also released from such obligation.

of multiple exchange rates is difficult to determine quantitatively, as other factors, such as the increased production and the rising foreign demand, were also at work.

Exports: According to their relations to the basic exchange rates, exports may be grouped into three classes. Firstly, commodities exported entirely at the official rate were not directly affected by the open market rate. Rice was the only commodity in this group. Secondly, commodities exported partly at the official rate and partly at the open market rate were partially affected by any change in official or open market rate. Rubber and tin and sometimes teak belonged to this group. Thirdly, commodities exported entirely at the open market rate had no connexion with the official rate but were affected fully by changes in the open market rates. To this group belonged all other exports.

Rice accounted for about 60 per cent of Thailand's total export earnings, whose increase during 1946-51 was attributed largely to the increase in quantity and prices of rice exports. The increase in rice exports was not due to the change in the exchange rate system in 1947. The export of rice had been a government monopoly, conducted by inter-governmental negotiations in terms of foreign currencies irrespective of the exchange rate of the baht. Moreover, all exchange earnings from legal rice exports were to be surrendered to the Bank of Thailand at the official rate. The baht receipts from both government and permitted private exports had, with minor exceptions,¹ not been affected by the open market rate. Furthermore, the government had fixed its internal procurement prices of rice in baht without reference to the open market rate. The prices had been kept almost unchanged irrespective of changes in official or open market rates. The general increase in export earnings from rice after 1951 was chiefly due to the rising world prices and the increase in domestic production.²

Tin and rubber constituted about 30 per cent of Thailand's exports in 1938/39. In 1946, their exports were 60 and 66 per cent respectively below those in 1938/39. This extremely low level of exports was due partly to war-time dislocation of production and partly to over-valuation of the currency. The differential devaluation in 1947 made it possible for tin exporters to retain 50 per cent and rubber exporters 80 per cent of

their exchange proceeds for disposal at the free-market rate and substantially raised the baht receipts per unit of exports. As stated in the *Bank of Thailand Report, 1948*, this policy "gives strong incentive to private enterprise and to productive efforts and enables Siamese products to compete more successfully in the world market in which the export price, if based on the official rate of exchange, would be too high in terms of foreign currency, for the internal price of baht was more in harmony with the free-market than with the official converted rate." It appeared that the differential devaluation of the effective exchange rates, as applied to rubber and tin exports, not only contributed to the stimulation of investment in and production of these two commodities, but reduced smuggled exports which were active in 1946 and early 1947.

Along with the differential devaluation, the recovery of production and the generally high level of world prices also contributed significantly to the increase in exchange earnings from the exports of these two commodities. During 1950-51 the extraordinarily strong foreign demand and the high world prices in connexion with the Korean-war boom further increased the exchange earnings from those exports. Their contribution to the improvement of Thailand's balance of payments position was very substantial.

As exporters of products other than rice, rubber and tin had been allowed, with minor exceptions, to retain all foreign exchange earnings for free disposal since mid-1947, they should have reaped the full benefits from the open market rate of exchange which averaged 70 per cent more than the official rate. The favourable effect, however, gradually diminished, partly because of the fact that the baht had appreciated on the open market during 1948-51, by as much as 13 per cent. Moreover, the expansion of these minor exports depended on the amount of exportable surplus. Certain items, including timber other than teak, cattle and hides and skins, had been banned from export because of the possibility of domestic shortage.

Imports and current invisible items: While the value of export almost doubled in 1948 (the first year after the application of the multiple exchange rate), the value of imports levelled off and a sizeable export surplus resulted. The levelling-off of imports however could not be attributed entirely to the application of the open market exchange rate to a large part of private imports. It was quite possible that the pent-up demand for imports

1. In order to produce sufficient rice the government used inducement schemes and allowed those who sold rice or paddy to it (1) to retain 10 per cent of the foreign exchange accruing from the sale of rice and (2) to export privately a quantity of rice equal to 3 per cent of the amount sold to the government.

2. For details of post-war Thailand's rice trade, see Kingdom of Thailand, *Report of the Financial Adviser, 1941-50*, and Lee, S. Y., "Post-war Rice Trade of Thailand", *Far Eastern Economic Review*, various issues in May and June 1954.

had been largely satisfied by 1948 so that import demand after 1948 would have decreased in any case. However, the effects on imports of the exchange depreciation were by no means insignificant.

The larger the price elasticity of demand for imports, the more an exchange depreciation would reduce imports. The price elasticity depends, in turn, to a great extent on the possibility of substitution of domestic for imported goods. The more likely the possibility, the greater is the price elasticity of demand. In Thailand, as in many other primary-producing countries, the production pattern is such that there is very little room for substitution of imports by domestic products. Moreover, a large part of imports are necessities. Thus any price change arising from exchange rate variation would not induce a significant shift to domestic substitutes. However, if the rise in prices of imported commodities was large enough to reduce substantially the real income of the people, the quantity of imports would be reduced, even with a rather inelastic demand. The application in Thailand in 1947 of the open market rate in place of the official rate to almost all private imports meant a depreciation of about 70 per cent. This would of course be regarded as a large depreciation and its income effect on import demand, although not ascertainable, should not be small. By this adjustment, the prices of imports in the home currency and the level of money income which was considerably inflated during the war were brought into line with each other.

Moreover, exchange profit realized by the Bank of Thailand, in absorbing money from circulation, had a deflationary effect and thus contributed indirectly to keeping imports from expanding. Meanwhile, the low internal prices of paddy and rice, as maintained by the government monopoly, also helped to keep farmers' income and expenditure on imports from rising.

The change in the exchange system in 1947 did not affect the demand for government imports, invisible requirements and certain private imports. Foreign exchange was supplied at official rate for government imports, private imports of fuel and lubricating oil for scheduled companies (subject to maximum quota each year), certain educational and public-health requirements and such other purposes as the government or the Bank of Thailand might deem to be of national advantage. The principle followed was to make such cheap exchange available for payment of imports required for rehabilitation and reconstruction of the country, and for other expenditure abroad which were necessary or calculated to be of benefit to the country.¹

In short, the improvement in the balance of payments position of Thailand during 1947-51 was due not only to the application of the generally appropriate effective exchange rates to various kinds of imports and exports, but also to the strong foreign demand for major Thai exports, the increase in their production and the comparative monetary stability.

The internal effects

Under the multiple exchange rate system, the Bank of Thailand supplied exchange at the official rate to the extent of about 25 per cent of the country's total current international payments, and received exchange at the official rate to the extent of more than 60 per cent of the country's total current international receipts. As Thailand's annual current receipts consistently exceeded its annual current payments during 1948-51, there was always a sizeable excess supply of foreign exchange on the official market. A substantial part of this excess supply, largely sterling, was sold by the Bank of Thailand on the free market, while the balance, valued at the official rate, was transferred to the reserves. Since the bank bought foreign exchange at the official rate and sold it at near the open market rates, it made a profit out of the difference between these two rates. These profits were credited to the Stabilization Account held by the Bank of Thailand. The size of the realized exchange profit was determined by the amount of foreign exchange sold by the Bank of Thailand in the open market and the difference between the bank's selling rate and the official rate. The amount sold by the bank was determined by the availability of open market exchange from sources other than the bank and by the difference between the open market exchange rate and the bank's free selling rate.

Owing to the existence of the multiple exchange rates and exchange profit, considerable caution is necessary in interpreting the monetary impact of the balance of payments on the domestic economy. Under a single exchange rate system the balance of payments, in terms of either foreign or local currency, would show at the same time both the external exchange position and the internal monetary effect. Under a multiple exchange rate system, however, the balance of payments in foreign currencies, while showing the external exchange position, does not indicate correctly the internal monetary impact. Thus, in the case of Thailand, while each dollar of import absorbed about 21 baht from circulation, each dollar of government rice export put only 12.5 baht into circulation.

1. Since 1949 foreign exchange at the official rate, particularly dollars, has no longer been made available to state-owned enterprises except for the purchase of essential equipment for development.

It is not impossible that the balance of payments, though positive in terms of dollars, may be negative in terms of baht. In this case it will be erroneous to say that the surplus in the balance of payments is inflationary. Taking into account the exchange profit, the balance of payments under a multiple exchange system like Thailand's has a deflationary bias.

In Thailand, although exchange profit does not accrue directly to the government as revenue, it is equivalent to a tax on international transactions. It is difficult to determine to what extent the tax is split between exports and imports. However, there are indications that a major part of the burden falls on the exporters of rice, a smaller part on those of rubber and tin, very little on the importers. The realized exchange profit, regarded as a tax revenue, may be compared with other government revenues in order to appreciate its significance. During 1949-52 exchange profits accounted for 10 to 18 per cent of the total government revenue and were in general much higher than the revenue from export duties.

Taking into account the function of the exchange profit, the total monetary effects of both the balance of payments and the budget may be ascertained by first converting the balance of payments surplus (or deficit), in terms of dollars, into baht at the official rate and then subtracting the exchange profit and adding the budget deficit (or subtracting the budget surplus). The importance of the exchange profit as an anti-inflationary or deflationary factor during 1948-53 may be seen from the following table:

TABLE 5
THAILAND: MONETARY EFFECTS OF THE BALANCE OF
PAYMENTS AND GOVERNMENT ACCOUNT
(million baht)

	Balance of payments goods and services account ^a	Exchange profits ^b	Government account
1948	760	162	28
1949	523	336	29
1950	756	226	-132
1951	728	227	-714
1952	-105	580	-931
1953	-759	478	-932

Sources: Bank of Thailand, *Current Statistics* and IMF, *International Financial Statistics*.

a. Net balance in dollars converted at official exchange rates.

b. For 1948, 1949 and 1950, figures are derived from "Other deposits" of the Bank of Thailand, which consist largely of the stabilization deposit. From 1951 onward, figures are derived from the Stabilization Account figures.

c. Annual rate on the basis of the first ten months' figures.

Apart from its effect on the level of money income, the multiple exchange rates have also affected relative prices and through these production and income distribution. Data are not sufficient for a study of the price structure of Thailand. There is no time series of wage statistics, while published indices of cost of living and wholesale prices are not very representative. The cost of living of the low-salaried class depends chiefly on the prices of domestic goods, especially rice and other food items, as imported goods account for only 5-10 per cent of the cost of living. The money wage of labourers depends chiefly on their cost of living.

The penalty exchange rate as applied to rice and the government's policy to maintain the internal price of rice at a low level have contributed greatly to the maintenance of a relatively low level of cost of living and wages. However, production does not depend entirely on labour; capital equipment, tools and raw materials are also needed which are mostly imported at either the Bank of Thailand's selling rate or the open market rate. Thus, whether the price-cost structure of an export industry would be competitive on the world market or not depends on what percentage of the exchange must be surrendered to the Bank of Thailand at the official rate and what percentage of imported producers' goods enters into the cost of production. It is probable that because rice production requires very little imported producers' goods, the low internal prices arising from the government's rice and exchange policy could be fairly compatible with the cost of production.

The comparatively low money wages tended to favour industrial production and development. In addition, the government enterprises benefitted from the cheap imports of machinery and parts financed by exchange obtained at the official rate. During early post-war years the rehabilitation of war-damaged industries and transportation equipment was facilitated by this arrangement.

As regards income distribution multiple exchange rates and low rice prices injured the rice producers but benefitted the entrepreneur class with the possible exception of entrepreneurs in the rubber and tin industries. The penalty export rate and the low government procurement price of rice have prevented Thai rice producers from reaping the full benefits from the price increase in the world market. On the other hand, rice producers have to buy imported goods at the market exchange rate. Thus, although the country as a whole benefits by a considerable improvement in the terms of trade, rice producers suffer from a worsening in their terms of trade. The difference accrues to the government.

In short, so far as the internal effects are concerned, the main contribution of the multiple exchange rate, during the period of rising export earnings and favourable balance of payments, was to alleviate substantially the inflationary impact thereof and make possible the accumulation of exchange reserves. Its favourable effects on industrial development seem not to have been fully realized.

Exchange policy during a period of declining foreign demand, 1952-54

After 1952, the balance of payments of Thailand turned unfavourably and it is interesting to see how the multiple exchange rate system reacted to the adverse balance of payments.

The unfavourable development in the world markets toward Thai exports had not been foreseen by the Thai authorities. The Government adopted unfortunately a policy of appreciation of the baht in the free market at a wrong time when the balance of payments was about to turn adversely. In February 1952, the bank's free selling rate was lowered from 51 to 45 baht to the sterling (or by 11.33 per cent), and was subsequently maintained.

The currency appreciation was possibly designed to lower the cost of living and to some extent was based on the consideration of national prestige as well as on an over-estimation of the true exchange value of the baht. It might also have been a device to dispose of the excess sterling reserve.

The effect on the open market rate of the appreciation of the bank's free rate was almost instantaneous. The commercial banks' selling rate dropped from 51.37 baht to the pound in February to 46.12 baht in March and further to 45.73 baht in May. Since the Bank of Thailand did not supply dollars on the free market before 30 April 1953, the free market dollar rate adjusted itself to the new sterling rate by arbitrary transactions which created a heavy demand for and accelerated the drain on the bank's sterling reserves. Besides arbitrary transactions there appears to have been a certain amount of capital flight, which by forcing up the free market rate imposed another heavy drain on the bank's sterling reserves, as the bank was trying to maintain the new rate.

The appreciation of the free baht had affected Thai exports unfavourably. It is true that rice exports were almost not affected. However, the effective export rate (dollar in terms of baht) for rubber was lowered by 9.1

per cent and that for tin by 7.3 per cent. Minor exports were affected to the full extent of the appreciation. Thus the loss of export earnings in baht to Thai producers and exporters arising from the currency appreciation placed them in a very unfavourable position in their competition with those in other countries.

After the appreciation, despite the fall in the prices of imported commodities, the index of the cost of living of the low-salaried class did not show any decline, as imported goods consisted of a very small portion of the family expenses.

The currency appreciation apparently failed to achieve its main objective. It appears that the money wage closely followed the cost of living. The lowering of the prices of imported goods, coupled with the sticky nature of the cost of living and of money wages, thus placed local industries in a less favourable competitive position. It rather seems that in Thailand the exchange rate does not affect the cost of living but the cost of living affects the exchange rate, through its influence on wages and the cost-price structure of export and import-competing industries.

The government's venture of appreciating the free market exchange value of the baht unfortunately coincided with the decline in foreign demand for major Thai exports which resulted not only in a fall in exchange earnings but also in a reduction of government revenue. The world rice market for the first time in the post-war period changed from a seller's to a buyer's market, and the prices of rubber and tin also fell considerably after the abatement of the Korean-war boom in 1951. Meanwhile inflation, intensified by large government deficits, contributed to the increase of imports through a higher level of money income.

The decline in exports of rubber, tin, teak and other commodities reduced the supply of foreign exchange to the open market, and the decline of foreign exchange receipts of rice reduced the availability of foreign exchange which the Bank of Thailand could use for supplying to the commercial banks. The bank's sterling reserves had apparently fallen considerably. To meet this unfavourable situation, the Thai authorities started to tighten exchange and import controls.

In March 1952 exchange transactions on invisible items were put under control aiming at the prevention of capital flight. Later on, the Bank of Thailand scrutinized more strictly the applications for exchange for permissible imports at the Bank of Thailand's selling rate and the time required for obtaining foreign exchange from the bank was also lengthened. Meanwhile, the

range of imports financed by the bank at its selling rate had been significantly reduced. In March 1953 the bank announced that it would not sell exchange at its preferential rate for imports of nine groups of non-essential commodities. Thereafter, the scope was further reduced and on 5 March 1954 only four groups of selected essentials were covered, including milk and milk products, a few kinds of cotton textiles, medicine and petroleum products. Since mid-1954 only milk and milk products and medicine have remained on the list.

As the range of imports for which exchange could be supplied by the bank at its preferential rate was considerably reduced, importers had to resort to the open market and the open market rate rose rapidly. The depreciation of the open market baht, which might stimulate exports of rubber, tin and other minor products, raised the prices of imported commodities. In order to prevent a rise in price, the bank has since 8 March 1954 made available to commercial banks foreign exchange which could be sold to importers for the direct importation of other essential commodities at exchange rates considered proper by the bank. Thus on the import side, an additional exchange rate has emerged.

Import control which had been of limited application has been tightened since September 1953 when 17 kinds of non-essential imports were prohibited and all other imports licensed.

As the rate of baht 45 to the pound is applied to the imports of only two kinds of commodities, its significance is considerably reduced. The present exchange policy of the Bank of Thailand is practically back to what it was before the February 1952 depreciation, i.e., to finance permissible imports at rates fluctuating with the open market rates.

Conclusion

The fluctuating open market rate together with the fluctuating Bank of Thailand's selling rate provides a mechanism of adjustment for the balance of payments and to some extent, insulates the impact on domestic money income of changes abroad. The unfavourable balance of payments causes a depreciation of the open market baht. The depreciation of the open market baht, in turn, tends to stimulate exports and discourage imports, thus reversing the unfavourable tendency in the balance of payments. However, this adjustment is not perfect as, among other factors, rice export is very little and rubber and tin partly affected by the open market rate. Moreover, the balance of payments is also affected

by the government's financial position. With the emergence of a buyer's market, some adjustment in the exchange rate policy and the government's rice trading and price policies appears to be necessary. If the multiplicity of the effective exchange rates applied to exports can be simplified and the open market rate allowed to expand its scope of application, a flexible exchange rate, with the occasional intervention by the Bank of Thailand, may emerge.

SUMMARY

Causes for the introduction of the multiple exchange rates

The multiple exchange rates system was generally introduced as an emergency measure. During the immediate post-war years, it was extended as a means to safeguard the balance of payments, and was considered to be of a transitional character.

In Thailand, the over-valuation of the baht in 1946 and the failure of trade and exchange controls were followed by partial relaxation of controls and the legalization of the free market rates. Thus a multiple exchange rates system was developed.

The exchange tax in the Philippines and the exchange certificate system in Indonesia were introduced with definite objectives of improving the balance of payments and combating inflation. The exchange tax was adopted in March 1951 in the Philippines chiefly because alternative measures were not possible; under agreements with the United States, the Philippines cannot vary the exchange value of the peso and increase unilaterally import duties on imports from the United States. The exchange certificate system in Indonesia was introduced in March 1950, but abolished in February 1952. Six months later, multiple import surcharges were introduced with the same objectives in view.

Effects of the multiple exchange rates on balance of payments

The wide spread between the buying rate and the selling rate imposes penalty on the bulk of international transactions.¹ It is most likely that in Thailand the penalty has been much greater on rice export than on imports and that in Indonesia the penalty has been greater on exports than on imports under the exchange certificate system and greater on imports than on exports under the present import surcharge system.

It seems that the penalty export rates had not had much adverse effect on the volume of exports, as most exports to which such rates have been applied are primary products whose supply appears to have been inelastic,

1. It also yields premium to certain other international transactions, which is, however, on the whole, less important.

especially during the early post-war years when physical obstacles to production were important. These rates have been applied to the staple exports, control and supervision over which can be readily exercised. However, when foreign demand declines, and the cost of production tends to be out of line with the prices, the effective export rates have been adjusted to reduce the difficulties of the export industries concerned. Thus, Indonesia devalued its export exchange in February 1952 and Thailand varied the proportion of foreign exchange proceeds to be surrendered at official rate in the case of tin, teak and cement according to prevailing circumstances.

In Thailand, in 1947, the change from strict control over imports to admission of almost all imports at the free market rate meant a shift from quantitative to cost restriction. The application of the free market rate to most imports appeared to have had restrictive effect on imports. It appears that in Indonesia, differential import surcharges have been fixed according to the intensity of the country's demand for the different types of imports. The highest surcharge is applied to those goods whose imports would be significantly reduced so as to conserve foreign exchange. The lowest surcharge is applied to semi-essentials, the demand for which is rather inelastic. In the Philippines, the exchange tax has been used in combination with quantitative import control. The latter brought importers windfall profits which the former siphoned off into the hands of the government. In all three countries, the realization of profits and tax receipts had deflationary effects and contributed to the reduction of import demand.

It is difficult to ascertain to what extent multiple exchange rates have contributed to the improvement in the balance of payments of these three countries, as other factors which have little connexion with the exchange rates have also to be taken into account, e.g. recovery and progress in production, changes in foreign demand (both commercial and non-commercial), inflation and deflation, government controls, etc. However, a comparison in this regard can be made among the alternative measures, including quantitative restriction and devaluation.

The internal effects of multiple exchange rates

In Indonesia, the profits from exchange certificate sales and the revenue from import surcharges have accrued completely to the Government, and so also the exchange tax in the Philippines. In Thailand, however, the exchange profit has been sterilized to constitute a special "stabilization account" in the Bank of Thailand.

In general, the exchange profit arising from the multiple rate operation has had a deflationary effect.

Multiple exchange rates also affect the price structure and therefore income distribution, just like taxes with different rates imposed on exports and imports. In the three countries, it is most likely that the income of producers of major export commodities to which penalty rates have been applied has been kept relatively lower than would have been otherwise. Higher income groups are taxed by the high import surcharges on luxury goods heavily in Indonesia, and much less heavily in Thailand, and the Philippines.

Comparison with other alternative measures

To assess the advantage and disadvantage of a multiple exchange rate system, comparison must be made with other alternative measures.

Firstly, it may be compared with quantitative control. The system of multiple exchange rates may be the most readily workable type of exchange restriction in a country which is lacking in effective administrative organization and staff necessary for quantitative control. It has also the advantage that the monopolistic profit arising from the restriction accrues to the State, not to the private trader.

Secondly, it may be compared with straightforward devaluation. Uniform devaluation would raise the prices of all imports in terms of local currency, including necessities, and might result in large windfall profits to exporters. On the other hand, it would not ordinarily bring about a significant increase in volume of exports of the primary exporting countries.

Thirdly, it may be compared with a corresponding set of taxes and subsidies. Duties and subsidies on international trade generally affect merchandise transactions, while multiple exchange rates also affect invisible transactions. The imposition of other duties and subsidies generally requires legislative action, while multiple exchange rates are generally determined by administrative orders. Multiple exchange rates generally conceal from the public the true nature of taxes and subsidies which they imply and are more easily tolerated by public opinion. (The import surcharge system in Indonesia, is, nevertheless, closer to tariffs than to multiple exchange rates). However, duties and subsidies in the form of multiple exchange rates are likely to have undesirable effects on the patterns of production and consumption, as the classification of thousands of import and export

goods into a few broad categories to which markedly different exchange rates and import surcharges are applied must necessarily be highly arbitrary.

A multiple exchange rate system may be replaced by a corresponding set of taxes and subsidies and thus achieves unification in the exchange rate. Just how for it is practical to shift successfully from the

former to the latter depends on many institutional factors, including the improvement of the fiscal system. While the latter take a long time to change, the multiple exchange rates could still be maintained during the transitional period, during which they would probably serve a primary exporting economy better than either purely quantitative control or unitary exchange depreciation.

ASIAN ECONOMIC STATISTICS

List of Tables

	<i>Page</i>
I. PRODUCTION	
1. Index Numbers of Production	39
2. Production of Selected Commodities	43
II. TRANSPORT	
3. Volume of Traffic: Railways, Sea-borne Shipping and Civil Aviation	44
III. EXTERNAL TRADE	
4. Value of Imports and Exports and Balance of Trade	45
5. Direction of International Trade	46
6. Value of Imports by Principal Commodities and/or Commodity Groups	50
7. Value of Exports by Principal Commodities and/or Commodity Groups	52
8. Quantity of Exports of Selected Commodities	53
9. Index Numbers of Unit Value, Quantum and Terms of Trade	54
IV. PRICES	
10. Index Numbers of Wholesale Prices	56
11. Index Numbers of Cost of Living	57
V. EMPLOYMENT AND WAGES	
12. Employment and Wages	58
VI. FINANCE	
13. Currency and Banking	59

UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "dollars" relate to United States dollars.

The following symbols have been used throughout:

* = average of six to eleven months.

‡ = 12 months beginning April of the year stated.

† = 12 months ending September of the year stated.

♠ = 12 months ending June of the year stated.

§ = end of period.

I, II, III, and IV for quarters of years.

Mn = million.

.. = not available.

— = nil or negligible.

r = revised figures from this issue.

Figures in italics are provisional.

The following symbols are used to represent the abbreviations of national currencies in Asia and the Far East:

H. = Hwan (Republic of Korea, one Hwan is equivalent to 100 Won)

HK\$ = Hong Kong dollar

K. = Kyat (Burma)

M\$ = Malayan dollar (Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak)

NT\$ = New Taiwan yuan or dollar

P. = Peso (the Philippines)

Pr. = Piastre (Cambodia, Laos and Viet-Nam)

Rp. = Rupiah (Indonesia)

Rs. = Rupees (Ceylon, India and Pakistan)

Y. = Yen (Japan)

The term Malaya includes the Federation of Malaya and Singapore.

SOURCES

To ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated wherever possible; material supplied by governments, publications of governments, of the United Nations and its specialized agencies and of international commodity study groups have been used as additional sources.

PRODUCTION

1. INDEX NUMBERS OF PRODUCTION

1948 = 100^a

	Weight	1949	1950	1951	1952	1953	1953			1954				
							II	III	IV	I	II	Apr	May	Jun
CHINA (Taiwan only)														
Industrial production ^b . . .	100.0	157	175	184	238	323 ^b	301	310	339	344	380	373	391	375
Public utilities . . .	8.6	124	168	192	202	214	209	211	228	236	240	242	246	233
Electricity . . .	3.8	101	123	152	168	186	179	181	202	213	217	222	222	206
Mining and Quarrying . . .	3.7	87	86	106	138	121	117	104	128	139	152	126	211	119
Coal . . .	1.8	98	85	100	139	145	153	132	150	125	122	129	121	118
Manufacturing ^b . . .	87.7	166	182	189	249	348	336	349	380	383	427	421	433	426
Food ^b . . .	29.1	221	215	147	198	336	364	369	324	370	381	350	362	430
Textiles . . .	14.6	193	276	421	660	918	888	888	1,073	1,070	1,246	1,214	1,267	1,257
Chemicals . . .	8.1	104	130	216	238	263	231	298	332	265	297	291	296	305
INDIA ^c														
Manufacturing and mining	100.0	98	97	108	119	125	125	124	127	127	133	134	130	135
Mining (coal) . . .	12.0	106	107	115	122	120	126	113	117	123	120	124	118	118
Chemicals and allied trades . . .	4.9	114	129	145	204	260	238	267	274	281	283	278	277	294
Metal manufactures (other than machinery)	9.3	108	114	119	121	114	101	100	135	134	122	126	119	122
Engineering and electrical goods . . .	5.6	121	146	189	170	190	189	202	204	214	249	242	248	256
Textiles . . .	61.4	90	82	90	100	102	104	103	100	103	106	107	103	108
Cotton textiles . . .	43.5	91	84	93	104	110	112	112	108	112	115	116	113	117
Jute . . .	16.5	85	77	80	87	80	81	80	78	78	81	84	77	83
Paper . . .	1.5	105	111	135	140	142	136	156	138	129	161	171	153	158
Manufacture of non-metallic mining products (other than coal and petroleum) . . .	1.7	107	149	171	173	229	204	193	271	266	193	220	176	182
Manufactures of wood (plywood) . . .	0.2	89	93	132	168	114	111	98	106	138	136	158	136	113
Food (sugar) . . .	3.5	93	91	104	139	120	334	4	96	87	49	109	37	—
INDONESIA (1938=100)														
Export products														
General ^d . . .	..	69	89	105	106	108	..	..	..	..	..	..	..	..
Estate . . .	..	46	49	63	71	75	..	..	..	..	..	..	..	..
Peasantry . . .	..	103	194	228	184	156	..	..	..	..	..	..	..	..
Mining . . .	..	85	93	103	116	132	..	..	..	..	..	..	..	..
Estate products of 7 items	..	63	69	86	100	102	103	102	101	..	..	..	..	..
JAPAN														
Industrial production . . .	100.0	124	142	193	213	261	256	257	282	274	278	282	276	275
Public utilities . . .	4.3	113	122	134	146	160	159	160	171	173	173	173	175	171
Manufacturing & mining	95.7	130	153	210	232	284	278	279	307	298	303	308	300	299
Mining . . .	12.9	115	121	138	142	153	156	137	149	140	149	154	145	147
Manufactures . . .	82.8	131	156	219	244	304	297	302	332	323	327	332	325	323
Non-durable . . .	47.8	134	190	254	298	375	378	380	418	406	416	421	413	414
Textiles . . .	17.1	128	186	261	298	345	332	369	385	361	355	359	350	357
Chemicals . . .	16.7	140	203	277	332	426	437	411	482	482	507	511	503	507
Durable . . .	35.0	134	147	220	230	281	261	270	298	291	288	294	288	282
Metals . . .	12.9	176	242	360	386	459	459	474	507	502	494	502	499	482
Machinery & transport equipment	14.6	124	117	184	191	248	210	221	253	243	236	241	234	232
PHILIPPINES (1952=100)														
Manufactures . . .	..	..	..	..	100	113	112	112	118	120	119	..	..	..
Non-durable	..	..	..	..	100	111	110	109	118	115	119	..	..	..
Manufactures . . .	..	..	..	..	100	114	117	110	127	138	151	..	..	..
Tobacco products . . .	..	..	..	..	100	96	92	84	111	77	89	..	..	..
Textiles . . .	..	..	..	..	100	116	111	120	122	115	119	..	..	..
Footwear and wearing apparel . . .	..	..	..	..	100	111	111	114	120	115	92	..	..	..
Chemicals . . .	..	..	..	..	100	118	118	119	119	138	139	..	..	..
Durable manufactures	..	..	..	..	100	108	96	119	123	120	97	..	..	..
Stone, clay and glass products (including cement) . . .	..	..	..	..	100	152	148	157	143	170	148	..	..	..
Metal products . . .	..	..	..	..	100	96	95	91	100	112	95	..	..	..
Electrical appliances . . .	..	..	..	..	100	96	95	91	100	112	95	..	..	..

a. Original base: China, 1951; India, 1946; Japan, 1934-36.

b. Sugar production is excluded from the monthly and quarterly index but included in the annual index. Weights relate to annual index.

c. Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce &

Industry. For details, see footnote b to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol. IV, No. 3 or 4.

d. Relate to 18 products, including forest products (jungle-wood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

PRODUCTION

Monthly averages or calendar months

Thousand tons

	1938 ^a	1948	1951	1952	1953	1953				1954				
						II	III	IV	I	II	Apr	May	Jun	
COAL														
China (Taiwan only)	183	138	138	191	199	210	181	207	172	169	177	167	164	
India	2,400 ^h	2,551	2,915	3,067	3,035	3,167	2,869	2,973	3,058	3,014	3,086	3,025	2,931	
Indonesia	121	45	72	81	75	73	74	74	73	69	64	70	72	
Japan	3,484	2,822	3,610	3,613	3,877	4,026	3,365	3,682	3,440	3,692	3,855	3,580	3,642	
Korea (South)	19	67	20 ^r	48	72	70	76	82	67	71	71	66	75	
Malaya ^a	40	32	32	27	24	27	24	20	18	19	22	17	18	
Pakistan ^b	..	20	43	51	49	48	33	51	60	..	61	41	..	
Viet-Nam	195	30	53	72	70	65	59	93	82	88	99	99	66	
ELECTRICITY (Mn kwh)														
Cambodia	1	1	1	2	2	2	..	..	2	2	2	2	2
Ceylon	3	5	9	11	12	12	12	13	13	13	12	14	13	
China (Taiwan only)	..	70	107	118	130	126	128	142	150	152	156	156	145	
Hong Kong	..	13	30	33	36	36	38	38	38	40	38	41	42	
India	211 ^{hi}	381	488	516	560	547	584	583	578	627	613	640	629	
Japan	2,276	2,965	3,977	4,304	4,641	4,685	4,822	4,892	4,747	5,180	5,111	5,253	5,175	
Korea (South)	..	41	28	53	61	62	66	61	67	71	71	72	70	
Malaya	36	..	76	80	86	87	88	92	92	..	95	101	..	
Pakistan	..	11	19	25	34	34	35	36	39	..	37	..	..
Philippines (Manila)	12	30	41	46	52	51	54	56	56	57	54	58	59	
Thailand ^c (Bangkok)	3 [†]	4	5	5	7	6	7	8	8	..	..	..	..
Viet-Nam	8	8	16	19	25	24	26	26	26	27	26	28	27	
PETROLEUM, CRUDE														
Brunei	59	224	415	423	407	396	414	415	403	..	395	..	..
Indonesia	616	361	620	710	852	854	875	890	835	864	803	915	874	
Japan	29	13	28	25	25	23	26	26	26	25	25	25	24	
Pakistan ^d	..	5	13	15	16	16	15	18	21	..	..	..	..
Sarawak	17	4	4	4	5	4	4	5	5	..	..	..	..
IRON ORE ^e														
Hong Kong	..	..	14	11	10	10	12	6	8	8	10	8	6
India	232	193	310	332	326	347	284	341	363	331	346	338	310	
Japan	51 ^j	47	97	116	128	117	150	153	135	140	147	139	135	
Malaya	137	..	72	89	90	119	124	61	77	108	117	112	96	
Philippines	77	1	75	97	101	108	114	89	117	126	114	134	130	
TIN CONCENTRATES (tons)														
Burma	419	97	138	93	80	80	80	80	80	80	80	80	80	
China	906	406	400	450	525	525	525	525	625	625	625	625	625	
Indonesia	2,517	2,592	2,624	2,964	2,864	2,905	3,091	3,069	2,579	2,827	2,727	2,920	2,835	
Japan	..	10	37	54	62	63	66	60	58	64	63	61	67	
Laos & Viet-Nam	135	3	8	12	22	22	22	22	17	..	..	..	..
Malaya	3,673	3,794	4,840	4,812	4,763	4,567	4,701	5,026	4,864	5,139	5,105	5,180	5,131	
Thailand	1,255	359	805	802	885	853	779	1,007	785	790	782	728	860	
TIN METAL (tons)														
Malaya	5,456	4,209	5,581	5,320	5,284	4,706	5,481	5,114	5,935	5,979	6,387	6,334	5,216	
NATURAL RUBBER ^f														
Cambodia	1.4	1.4	1.3	1.5	1.9	1.7	2.0	2.6	1.2	1.8	1.6	1.9	2.0	
Ceylon	4.3	8.0	8.9	8.2	8.3	7.3	8.2	11.9	7.1	6.9	7.4	5.4	7.8	
India	1.3	1.3	1.5	1.7	1.8	1.8	1.7	2.4	1.2	1.7	2.0	2.1	1.1	
Indonesia	27.0	36.6	69.0	63.4	58.6	58.7	62.0	57.2	58.3	57.1	59.1	56.6	55.5	
Malaya	30.4	59.1	51.3	49.5	48.6	45.1	50.6	50.9	45.7	43.9	40.9	47.0	43.9	
Sarawak	1.5	3.4	3.6	2.7	2.0	2.2	2.2	1.6	1.5	2.6	1.9	1.5	1.9	
Viet-Nam	3.6	2.3	3.1	3.4	4.2	3.4	4.5	6.1	2.9	3.7	2.9	3.9	4.3	
COTTON YARN														
China (Taiwan only)	..	..	0.6	1.1	1.6	1.7	1.6	1.9	1.6	1.9	1.8	1.9	2.0
Hong Kong	..	..	2.4	2.5	2.7	2.6	2.8	3.2	3.0	3.1	3.1	3.2	3.1
India	49.3 ^{†h}	55.0	49.0	54.7	58.9	56.1	58.4	58.0	57.3	53.4	58.5	58.5	58.1	
Japan	54.5	10.4	28.1	29.4	34.5	32.1	37.4	40.4	39.5	40.2	40.9	39.5	40.2	
Korea (South)	..	0.5	0.5	0.8	1.1	1.3	1.2	1.1	1.2	1.5	1.3	1.5	1.8	
Pakistan	..	0.2	0.7	0.8	4.5	4.1	4.8	5.8	6.4	6.5	6.6	6.4	6.6	
COTTON FABRICS (Mn metres)														
Ceylon (Mn sq. metres)	0.6	0.5	0.6	0.7	0.6	0.7	0.5	0.5	0.5	0.4	0.4	0.4	0.4	
China (Taiwan only)	..	1.0	4.7	7.1	10.9	9.7	10.6	13.3	12.6	15.0	14.6	15.4	15.0	
India	325 ^{†h}	337	319	350	372	382	390	361	372	392	390	390	395	
Japan (Mn sq. metres)	243.6	64.4	151.9	156.0	195.8	202.2	201.8	211.8	216.0	229.9	231.9	226.7	231.2	
Korea (South)	..	2.1	2.4 ^r	5.0 ^r	9.9 ^r	8.9 ^r	11.1 ^r	11.9 ^r	9.8 ^r	9.3	9.3	9.3	9.4	
Pakistan	..	6.7	9.7	13.3	18.1	17.3	19.1	23.7	25.8	24.7	25.0	23.9	25.2	
Philippines	..	0.6	0.8	0.5	0.9	0.4	1.3	1.2	1.2	1.6	1.5	1.1	2.1	
CEMENT														
Ceylon	..	..	5.3	5.1	5.2	5.7	7.3	5.9	6.8	6.9	4.4	8.4	7.9
China (Taiwan only)	0.2	19.6	32.4	37.1	43.3	43.4	43.7	44.2	46.6	44.7	39.6	46.3	48.1	
Hong Kong	..	4.4	6.0	5.8	5.3	4.7	5.5	6.3	8.6	5.7	5.9	5.7	5.7	
India	119.0 ^h	131.0	271.0	299.5	320.0	313.9	325.0	351.3	373.8	367.7	365.6	379.4	358.2	
Japan	473.6	154.9	545.6	593.1	730.7	768.9	776.9	825.5	764.2	939.9	953.0	924.3	942.4	
Korea (South)	..	1.9	0.6	3.0	3.7 ^r	6.2 ^r	4.3 ^r	3.2	3.0	6.9	8.6	5.1	7.0	
Pakistan	..	27.4	42.2	44.9	50.3	54.5	45.4	52.8	52.8	58.3	54.9	61.0	58.9	
Philippines	13.9	10.0	26.3	26.4	26.5	26.3	28.0	25.4	26.3	25.0	23.6	24.6	26.9	
Thailand	7.7 [†]	6.9	19.1	20.6	24.0	22.1	22.1	28.9	27.1	31.7	34.7	31.3	29.1	
Viet-Nam	22.2	8.1	17.7	18.5	24.2	21.9	24.8	26.0	23.0	21.7	20.3	23.9	21.0	

a. Lignite.

b. Including lignite.

c. Relates only to the consumption of electricity generated by the

Bangkok Electric Works.

d. Beginning 1954, original data in units of capacity.

e. Approximate metal content of ores as follows: Hong Kong, 45%;

India, 65%; Japan, 55%; Malaya, 60% and the Philippines, 65%.

f. Including latex.

g. 1936 for Japan, unless otherwise indicated.

h. Former British Provinces and Indian States.

i. 1939.

j. 1937.

TRANSPORT

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION
Monthly averages or calendar months

	1938 ^k	1948	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
RAILWAYS ^a													
Passenger-kilometres (Mn)													
Burma [†]	59	40	29	34	47	56	48	52	55	65	68	70	55
China (Taiwan only)	69	166	166	146	157	151	157	166	173	173	175	173	172
Cambodia & Viet-Nam	74	8	9	10	13	12	15	14	12	..	13	11	..
India [‡]	2,385	4,925	5,078	4,601	4,741	5,141	4,567	4,285	4,969	..	..	..	..
Japan [‡]	2,185	6,595	6,421	6,707	6,963	7,053	6,936	6,923	6,939	7,503	7,769	8,070	6,671
Korea (South) [‡]	..	236	125	219	262	228	280	286	255	322	306	334	326
Pakistan [‡]	..	656	627	790	..	724	735	720	..	..	801	697	..
Philippines [§]	40	24	32	31	32	43	29	30	32	41	40	44	40
Thailand	24	109	152	188	191	207	166	179	201	212	248	209	181
Freight ton-kilometres (Mn)													
Burma [†]	95	52	17	24	36	41	38	41	47	43	48	44	36
China ^b (Taiwan only)	71	52	78	96	108	112	110	113	113	121	119	126	117
Cambodia & Viet-Nam	28	7	16	18	19	20	17	21	22	..	18	18	..
India [‡]	2,968	3,040	3,820	3,879	4,102	3,781	4,232	3,973	4,422	..	..	..	..
Japan [‡]	1,305	2,109	3,073	3,227	3,377	3,290	3,143	3,624	3,316	3,317	3,466	3,362	3,124
Korea (South) [‡]	..	87	229	256	229 ^r	272	250	220	172	181	191	190	163
Malaya	22	26	33	31	31	31	31	31	30	32	30	33	32
Pakistan [‡]	..	319	418	447	..	514	422	531	..	..	458	414	..
Philippines [§]	14	10	12	11	12	11	11	10	13	12	12	13	11
Thailand	38	25	45	46	54	53	53	52	55	64	66	66	62
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1,000 tons)													
Ceylon ^c	L	54	63	80	67	73	65	79	76 ^c	109	86	68	72
	U	109	141	178	174	182	197	183	142	218	175	128	205
China (Taiwan only)	L	..	13	48	78	121	135	106	118	91	149	96	129
	U	..	22	79	117	109	121	107	115	91	161	129	164
Hong Kong	L	..	104	162	128	126	130	110	127	126	119	107	126
	U	..	236	312	284	289	261	276	278	261	332	308	346
Indonesia ^d	L	916	432	749	821	1,016	1,076	1,098	1,117	951	959	812	1,126
	U	167	160	212	367	347	371	420	354	325	290	303	270
Japan ^e	L	1,092	165	303	414	420	468	430	414	367	467	515	469
	U	2,771	563	1,728	1,978	2,607	2,587	2,579	2,956	2,957	2,967	3,241	3,040
Malaya ^f (Singapore)	L	..	121	217	198	419	409	432	440	406	440	448	417
	U	..	163	410	401	675	656	743	744	717	735	657	719
Pakistan ^g	L	..	..	152	137	140	137	133	156	135	124	145	121
	U	..	..	292	335	287	243	303	346	256	230	198	272
Philippines	L	257	50 ⁿ	260	368	350	397	359	291	402	413	440	405
	U	194	193 ⁿ	220	215	253	377	274	258	227	178	207	215
Viet-Nam (Saigon)	L	..	..	39	23	17	10	22	33	52	83	92	74
	U	..	..	74	100	106	125	89	103	130	176	169	150
Thailand	L	..	..	165	149	143	152	139	151	117	126	149	114
	U	..	..	75	94	107	106	104 ^r	114	107	125	119	136
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade 1,000 net registered tons													
Burma ^h	E	311	118	106	98	104	88	123	117	146	133	136	126
	C	361	157	138	132	146	150	134	110	152	164	161	161
India	E	760	646 [*]	777	773	750	804	724	744	763	689	546	746
	C	793	567 [*]	649	739	884	904	870	924	794	771	791	778
CIVIL AVIATION ⁱ													
Passenger-kilometres (Mn)													
Burma	..	..	4.15	3.26	3.64	3.90	2.89	3.78	3.92	..	4.92	5.27	..
Ceylon	..	0.36	2.76	2.47	2.19	3.94	0.85	0.82	0.85	0.88	1.14	0.81	0.59
China (Taiwan only)	..	..	1.61	2.49	3.52	3.49	3.80	3.72	6.43	..	5.52	7.62	..
India	0.11 ^m	23.65	34.49	32.46	32.15	30.20	28.70	35.14	34.54	35.81	36.57	37.13	33.72
Indonesia	..	8.49	13.30	13.28	14.03	14.57	14.43	13.57	14.27	14.43	14.90	14.30	14.10
Pakistan	..	..	5.41	5.81	3.46	3.04	2.92	3.48	3.46	..	..	..	..
Philippines ^j	0.21	14.57	17.47	17.78	18.97	21.54	20.09	18.21^||j	15.33	10.42	10.74	10.49	10.03
Thailand	..	0.93	2.01	2.26	2.60	2.64	2.45	3.21	2.86	3.75	4.06	3.96	3.24
Freight ton-kilometres (1,000)													
Burma	..	..	132	118	148	136	123	150	182	..	144	162	..
Ceylon	..	2	196	159	89	163	19	17	14	12	17	12	8
China (Taiwan only)	..	..	217	260	340	321	570	208	277	..	352	329	..
India	34 ^m	475	2,204	2,180	2,203	2,078	2,060	2,287	2,190	2,099	2,047	2,200	2,050
Indonesia	..	389	595	595	620	617	621	640	617	615	585	665	596
Pakistan	..	..	98	167	152	142	173	139	142	..	..	..	..
Philippines ^j	..	540	793	809	778	683	734	850^||j	531	..	257	244	..
Thailand	1 ^m	17	59	85	140	131	128	162	162	153	157	127	175

a. Railway traffic coverage: India and Pakistan, class I railways; Indonesia, postwar data relate to Federal area only; Japan, State Railways only; Philippines, Manila Railroad Company.

b. Including service traffic.

c. 1937-53, port of Colombo only.

d. Postwar data relate to Federal area only.

e. Cargo carried by steel vessels only; excluding military goods.

f. Including coastwise traffic of Malaya.

g. Including coastal and transit cargo at Karachi.

h. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.

i. Scheduled domestic and international routes.

j. From 1954, figures relate to the Orient flights only.

k. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British Provinces and Indian States for both railway traffic and sea-borne shipping.

m. Including non-revenue traffic.

n. Manila only.

EXTERNAL TRADE

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	1938	1948	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
BURMA (K.)													
Imports	18½	49½	54	76	70	65	80	76	70	80	72	78	91
Exports	41½	63½	82	105	84	129	99	59	101	113	129	115	95
Balance	+ 23	+ 14	+ 28	+ 29	+ 14	+ 64	+ 19	- 17	+ 31	+ 33	+ 57	+ 37	+ 4
CAMBODIA-LAOS-VIETNAM (Pr.)													
Imports	16	197	523	770	929	885	1,118	999	948	986	955	1,065	938
Exports	24	98	232	201	231	175	267	313	270	251	208	290	254
Balance	+ 8	- 99	- 291	- 569	- 698	- 710	- 851	- 686	- 678	- 735	- 747	- 775	- 684
CEYLON (Rs.)													
Imports	20	83	130	142	134	147	131	137	112	122	117	101	148
Exports	24	84	159	125	131	126	128	135	143	139	122	147	147
Balance	+ 4	+ 1	+ 29	- 17	- 3	- 21	- 3	- 2	+ 31	+ 17	+ 5	+ 46	- 1
CHINA (Taiwan only, NT\$)													
Imports ^a	..	..	99	147	138	123	143	162	153	129	145	108	133
Exports	..	..	90	122	165	114	224	191	91	206	149	261	209
Balance	..	..	- 9	- 25	+ 27	- 9	+ 81	+ 29	- 62	+ 77	+ 4	+ 153	+ 76
(in dollars)													
Imports	..	..	7.1	9.4	8.8	7.8	9.1	10.4	9.8	8.2	9.3	6.9	8.5
Exports	..	..	8.2	9.7	10.6	7.3	14.4	12.3	5.8	13.3	9.6	16.8	13.4
Balance	..	..	+ 1.1	+ 0.3	+ 1.8	- 0.5	+ 5.3	+ 1.9	- 4.0	+ 5.1	+ 0.3	+ 9.9	+ 4.9
HONG KONG (HK\$)													
Imports	52	173	408	316	323	346	292	291	261	284	276	275	302
Exports	51	134	372	243	228	259	189	207	194	194	186	202	194
Balance	- 1	- 39	- 36	- 73	- 95	- 87	- 103	- 84	- 67	- 90	- 90	- 73	- 108
INDIA ^b (Rs.)													
Imports	131	485	712	669	481	565	502	413	435	483	478	517	454
Exports	141	381	653	516	443	400	435	496	440	377	315	387	429
Balance	+ 10	- 104	- 59	- 153	- 38	- 165	- 67	+ 83	+ 5	- 106	- 163	- 130	- 25
INDONESIA ^c (Rp.)													
Imports	41	94	266	878	715	742	811	691	676	632	655	568	674
Exports	57	87	398	871	779	741	839	804	721	726	707	794	677
Balance	+ 16	- 7	+ 132	- 7	+ 64	- 1	+ 28	+ 113	+ 45	+ 94	+ 52	+ 226	+ 3
JAPAN ^d (S)													
Imports	87	57	170	169	201	205	197	219	241	230	253	239	196
Exports	84	22	113	106	106	107	105	118	114	126	127	126	123
Balance	- 3	- 35	- 57	- 63	- 95	- 98	- 92	- 101	- 127	- 104	- 126	- 113	- 73
KOREA (South, H.)													
Imports ^e	..	7	102	587	1,859	2,483	2,102	1,865	2,639	1,994	1,698	2,004	2,279
Exports ^f	..	6	41	167	327	342	396	356	653	676	716	884	428
Balance	..	- 1	- 61	- 420	- 1,532	- 2,141	- 1,706	- 1,509	- 1,986	- 1,318	- 982	- 1,120	- 1,851
MALAYA (MS)													
Imports	46	149	396	323	270	268	272	262	245	254	252	265	244
Exports	50	147	506	328	252	256	241	232	234	250	240	266	243
Balance	+ 4	+ 2	+ 110	+ 3	- 18	- 12	- 31	- 30	- 11	- 4	- 12	+ 1	- 1
NORTH BORNEO (MS)													
Imports	0.5	2.1	5.9	5.9	5.5	6.3	5.4	4.9	6.3	5.9	5.9	5.8	5.8
Exports	0.8	2.5	9.6	5.4	4.7	4.4	4.6	5.3	5.8	6.1	6.3	6.4	5.8
Balance	+ 0.3	+ 0.4	+ 3.7	- 0.5	- 0.8	- 1.9	- 0.8	+ 0.4	- 0.5	+ 0.2	+ 0.4	+ 0.6	-
PAKISTAN ^g (Rs.)													
Imports	..	71	146	168	97	68	100	110	94	70	58	79	72
Exports	..	77	210	147	121	104	110	105	116	99	121	97	79
Balance	..	+ 6	+ 64	- 21	+ 24	+ 36	+ 10	- 5	+ 22	+ 29	+ 63	+ 18	+ 7
PHILIPPINES (P.)													
Imports ^h	22.1	97.6	80.2	70.1	71.3 ^r	78.7 ^r	64.4 ^r	71.0 ^r	74.9	84.0	80.3	84.7	87.0
Exports	19.4	53.0	68.3	58.7	65.4 ^r	66.5	70.4	62.1	71.8	68.0	80.8	58.7	64.7
Balance	- 2.7	- 44.6	- 11.9	- 11.4	- 5.9	- 12.2	+ 6.0	- 8.9	- 3.1	- 16.0	+ 0.5	- 26.0	- 22.3
THAILAND (Baht)													
Imports	11½	146	309	473	552	505	499	605	557	600	586	597	618
Exports	17½	174	373	487	488	491	486	500	451	440	474	408	439
Balance	+ 6	+ 28	+ 64	+ 14	- 64	- 14	- 13	- 105	- 106	- 160	- 112	- 189	- 179
(in dollars)													
Imports	4.8½	12.0	22.7	25.5	30.2	28.3	27.5	29.5	28.6	27.8	27.4	27.0	29.2
Exports	7.5½	18.6	30.6	25.8	26.9	28.0	27.0	24.4	21.9	20.7	22.4	18.6	21.0
Balance	+ 2.7	+ 6.6	+ 7.9	+ 0.3	- 3.3	- 0.3	- 0.5	- 5.1	- 4.7	- 7.1	- 5.0	- 8.4	- 8.2

GENERAL NOTE: Trade Statistics of Cambodia-Laos-Vietnam, China, Indonesia and Korea (South) are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Multiple rates of exchange apply in China and Thailand; figures in national currencies are based on exchange rates appropriate for individual transaction.

a. Excluding FOA/MSA/ECA imports.

b. For 1938, former British Provinces and Indian States. For 1948, figures on sea-borne and air-borne relate to Apr-Dec only; overland, twelve months commencing Apr 1948. From Feb 1953 onwards, imports include value of special imports of grain, pulse and flour.

c. From 18 Feb 1950 to 31 Dec 1951, excluding value of exchange certificates. For 1 Jan-3 Feb 1952, import and export values are based

on 3 times of official exchange rate and from 4 Feb 1952 onwards they are based on official exchange rate of the Bank of Indonesia.

d. Figures under column for 1938 relate to 1936; they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.

e. Excluding Government imports, military supplies and various aid goods. Up to Mar 1951, valued c.i.f.; from Apr 1951 valuation based on local market prices excluding distributive margins and net of import duties and excise.

f. Up to Mar 1951, valued f.o.b.; from Apr 1951 valuation based on domestic market prices.

g. For 1948, figures exclude overland trade.

h. Imports valued f.o.b.

EXTERNAL TRADE

5. DIRECTION OF
Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA*	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
All countries	1948	57.2	45.0	23.0	47.0	76.4	75.1	..	..	99.7	130.8	342.8	507.4
	1950	39.4	28.6	19.8	52.6	82.0	61.4	18.1	22.9	162.6	165.7	293.0	284.2
	1951	51.6	34.4	33.7	76.2	100.0	82.0	24.6	21.4	193.9	213.1	411.4	453.6
	1952	66.0	48.0	29.2	112.1	78.8	89.6	29.1	28.2	127.4	165.7	324.9	419.2
	1953	52.7	44.2	23.8	98.6	78.0	84.4	31.9	26.4	120.8	170.6	277.3	297.3
	1952 IV	73.4	55.7	23.8	102.6	83.1	89.9	23.2	30.3	145.0	176.1	283.1	293.2
	1953 I	32.2	36.9	24.3	104.1	79.4	77.4	25.5	23.7	135.9	190.6	272.3	273.8
	1953 II	92.7	42.6	21.3	108.7	75.8	92.5	22.0	23.5	135.9	181.7	249.8	343.9
	1953 III	62.3	50.7	22.9	85.9	76.5	81.5	43.3	27.4	99.1	153.6	275.9	311.1
	1953 IV	23.7	46.8	26.8	85.6	80.2	86.2	36.8	31.1	112.5	156.4	311.3	260.3
	1954 I	63.6	44.4	23.1	81.2	83.2	70.5	17.5	29.3	115.5	152.0	265.1	270.6
	1954 II	71.1	50.6	18.1	79.1	82.6	76.6	39.8	24.7	119.2	167.5	238.4	305.0
ECAFE Region (including Japan)	1948	50.0	14.4	7.8	5.5	4.6	26.3	..	..	60.7	53.8	95.2	121.5
	1950	33.2	17.5	4.6	4.2	4.5	28.8	11.6	12.9	116.9	88.0	68.3	47.7
	1951	42.4	20.0	4.9	5.2	7.6	31.2	19.9	14.4	149.2	103.6	78.7	110.6
	1952	51.6	28.7	11.2	8.7	11.9	32.6	24.8	17.5	100.2	90.2	82.6	67.6
	1953	41.1	22.9	11.1	8.4	15.6	34.4	20.7	15.2	90.0	93.4	52.9	40.3
	1952 IV	55.5	37.1	16.9	10.2	33.1	38.4	19.5	19.2	115.2	94.3	63.8	53.3
	1953 I	19.0	19.5	12.7	8.1	2.2	30.9	19.4	13.0	103.8	99.5	54.6	29.9
	1953 II	76.9	22.0	11.4	7.5	26.4	35.3	13.6	12.7	105.8	101.4	56.3	55.6
	1953 III	46.9	27.3	9.8	8.4	16.1	34.2	19.0	15.9	73.2	89.6	51.0	45.3
	1953 IV	21.6	22.7	10.6	9.4	17.5	37.1	30.9	19.4	77.4	83.1	49.6	30.4
	1954 I	53.1	20.9	8.7	7.2	16.9	28.3	12.8	19.7	69.6	62.0	51.7	36.1
	1954 II	58.7	25.1	8.0	8.3	8.1	33.9	33.3	15.0	72.2	74.6	41.0	45.7
Japan	1948	0.1	0.3	0.6	0.2	0.1	1.0	..	..	3.1	5.0	3.4	4.8
	1950	5.1	3.0	0.2	0.6	—	1.6	6.6	7.2	5.3	10.0	3.9	3.9
	1951	7.2	5.9	0.6	2.4	0.4	4.2	12.3	10.6	8.4	17.2	9.6	11.6
	1952	8.2	7.2	0.9	2.7	0.5	5.8	15.9	12.6	5.4	21.1	13.4	10.2
	1953	7.3	7.3	3.6	2.1	0.5	3.6	14.5	11.7	9.7	16.8	14.1	6.5
	1952 IV	15.3	10.8	1.0	3.5	0.5	6.7	16.1	14.7	6.1	20.6	13.0	7.7
	1953 I	3.1	6.4	0.5	2.3	0.4	3.4	13.2	9.9	10.2	13.9	17.6	5.5
	1953 II	9.5	6.0	1.1	1.4	0.3	4.0	5.0	8.9	13.7	18.0	18.5	8.9
	1953 III	12.6	7.0	5.1	2.2	0.6	4.4	14.8	13.3	7.2	19.4	8.0	5.6
	1953 IV	4.0	9.9	7.5	2.6	0.6	2.8	25.1	13.9	7.6	15.9	12.3	6.1
	1954 I	25.3	9.1	6.2	2.3	0.5	2.7	6.6	15.3	5.3	13.3	10.6	6.8
	1954 II	28.6	11.2	1.0	2.2	0.2	3.1	21.1	12.4	4.2	19.6	6.2	5.7
Western Europe	1948	5.8	23.9	10.2	32.9	30.7	16.4	..	..	8.5	32.5	106.8	159.5
	1950	2.5	8.0	9.4	42.4	32.1	15.6	1.6	1.5	14.9	32.4	95.4	90.2
	1951	5.4	11.6	17.0	61.8	50.4	25.5	0.7	1.6	16.6	70.0	147.8	129.9
	1952	8.4	14.6	9.5	92.4	32.4	27.2	1.3	2.6	9.8	50.6	99.9	126.2
	1953	6.4	16.9	5.2	77.2	28.9	25.9	3.8	3.1	10.5	50.9	102.2	126.4
	1952 IV	9.9	15.1	11.6	98.0	32.1	29.4	0.4	2.3	12.4	57.9	102.8	117.6
	1953 I	6.9	13.2	7.7	83.3	29.7	22.1	0.2	3.5	14.0	66.0	98.0	114.2
	1953 II	6.3	17.4	3.9	85.3	31.1	28.0	3.9	2.2	11.0	53.4	75.1	127.6
	1953 III	9.0	19.8	4.3	76.0	24.7	25.8	10.3	2.9	7.7	40.4	103.1	131.3
	1953 IV	3.4	17.1	4.8	64.0	30.0	27.6	0.8	3.9	9.2	43.8	132.5	132.5
	1954 I	7.6	20.0	3.1	59.5	25.9	24.6	0.4	2.6	11.3	43.4	99.6	132.1
	1954 II	3.7	18.1	3.3	61.4	37.0	21.3	1.1	3.3	9.4	40.4	88.8	131.9
United Kingdom	1948	5.1	21.1	—	1.2	22.9	13.2	..	..	4.7	19.0	74.2	115.6
	1950	1.4	6.7	0.2	0.4	19.3	12.2	0.2	0.8	7.4	17.7	64.4	61.7
	1951	3.3	8.4	1.3	0.5	30.8	18.1	0.5	0.8	9.4	27.1	103.9	75.0
	1952	6.2	10.8	0.2	0.6	21.9	20.2	1.1	0.9	3.6	20.6	66.4	78.4
	1953	4.5	11.8	—	—	20.2	18.8	2.1	1.2	5.2	20.8	78.0	73.8
	1952 IV	9.0	10.6	1.0	2.5	19.8	18.0	0.1	0.8	3.2	21.8	71.2	65.6
	1953 I	5.7	10.1	—	—	20.2	16.6	0.1	0.8	5.1	23.7	72.1	73.1
	1953 II	3.5	11.2	—	—	23.1	22.2	2.2	1.0	5.8	22.2	55.1	71.3
	1953 III	6.3	13.8	—	—	17.0	18.0	6.1	1.4	4.7	18.2	80.9	76.0
	1953 IV	2.5	11.9	—	—	20.4	18.6	0.2	1.6	5.2	18.9	104.1	74.6
	1954 I	5.1	13.2	—	—	18.6	15.3	0.2	1.2	7.8	17.2	72.6	77.6
	1954 II	2.6	12.0	—	—	32.2	15.2	0.8	1.3	6.0	16.4	62.8	78.0
Eastern Europe	1948	—	0.1	—	0.1	0.5	0.2	..	..	0.9	0.1	6.4	5.3
	1950	—	0.1	—	0.2	0.1	0.4	—	—	—	0.9	1.5	3.0
	1951	—	0.1	—	—	0.4	0.9	—	—	—	1.5	5.0	3.9
	1952	0.1	0.1	0.1	0.2	0.8	0.6	—	—	—	0.3	1.9	2.7
	1953	—	0.2	—	—	—	—	—	—	—	1.0	1.7	2.0
	1952 IV	—	0.1	0.4	1.0	3.0	2.5	—	—	—	0.6	0.7	1.9
	1953 I	—	0.1	—	—	—	—	—	—	—	1.3	1.3	2.2
	1953 II	—	0.2	—	—	—	—	—	—	—	0.6	2.1	1.9
	1953 III	—	0.2	—	—	—	—	—	—	—	1.1	1.5	2.1
	1953 IV	—	0.2	—	—	—	—	—	—	—	0.8	2.0	1.9
	1954 I	—	0.4	—	—	—	—	—	—	—	1.0	4.1	2.4
	1954 II	0.6	1.0	—	—	—	—	—	—	—	1.0	3.1	2.2

OF INTERNATIONAL TRADE

EXTERNAL TRADE

pages or quarters

Million dollars

	INDONESIA		JAPAN		MALAYA		PAKISTAN ^a		PHILIPPINES		Year and Quarter	TRADE WITH
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports ^b		
7.4	98.7	116.2	64.6	170.6	203.2	210.4	79.0	89.4	79.4	146.5	1948	All countries
4.2	180.4	100.4	205.0	242.5	328.0	238.1	100.4	87.8	84.3	85.6	1950	
3.6	307.7	201.5	338.6	498.8	496.3	388.4	190.9	133.7	102.4	120.1	1951	
9.2	227.8	231.0	318.2	507.0	320.0	316.3	133.1	152.4	88.0	105.2	1952	
7.3	204.9	188.2	318.7	602.4	246.6	263.6	109.7	87.5	97.6	103.9	1953	
3.2	239.4	259.6	300.7	537.7	297.6	308.9	135.7	105.3	86.0	90.4	IV 1952	
3.8	188.3	161.8	275.5	547.5	263.9	269.5	150.4	98.1	93.8	101.5	I 1953	
3.9	195.2	196.0	328.6	613.9	257.3	262.4	94.3	61.6	99.8	115.2	II	
1.1	221.1	213.4	316.3	590.4	236.4	266.4	99.5	91.1	99.7	89.7	III	
0.3	215.0	181.7	354.4	657.8	229.0	256.0	94.6	99.3	97.2	109.1	IV	
0.6	189.8	177.9	343.0	723.1	229.1	239.9	104.7	84.2	107.6	112.4	I 1954	ECAFE Region (including Japan)
5.0	191.0	166.2	376.7	688.8	244.8	248.7	89.8	63.2	102.1	125.9	II	
1.5	25.0	33.7	26.4	23.0	49.8	96.9	24.0	44.6	7.2	14.9	1948	
7.7	73.4	39.0	88.9	73.2	83.9	153.7	25.4	33.7	7.3	9.6	1950	
0.6	121.4	83.6	156.2	122.2	118.0	242.0	85.0	49.5	9.0	19.3	1951	
37.6	75.1	91.6	143.1	129.2	91.3	181.6	61.0	57.7	10.8	14.7	1952	
0.3	70.2	77.3	139.1	160.3	77.2	153.0	36.9	11.9	13.4	11.7	1953	
33.3	87.3	109.8	129.9	138.5	88.3	181.0	50.6	25.4	8.8	12.3	IV 1952	
29.9	56.4	62.1	107.3	148.5	76.8	152.6	41.6	15.2	9.6	11.4	I 1953	
5.6	66.7	92.1	141.8	172.8	87.3	148.5	38.2	7.8	13.8	12.6	II	
15.3	78.7	85.5	142.2	160.6	72.6	158.9	39.1	10.6	15.6	9.2	III	
30.4	78.2	69.5	165.0	159.3	71.9	152.0	28.8	14.0	14.6	13.7	IV	Japan
36.1	78.7	86.3	154.4	150.7	65.8	136.2	32.1	11.1	13.7	16.7	I 1954	
15.7	75.4	75.5	168.1	156.5	73.5	137.9	33.8	14.7	13.5	15.3	II	
4.8	2.4	18.0	—	—	2.3	1.6	0.9	0.7	3.9	0.5	1948	
3.9	2.5	10.5	—	—	9.4	7.6	11.0	13.1	5.5	3.6	1950	
11.6	10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2	1951	
10.2	6.1	31.7	—	—	12.6	20.4	22.0	27.9	9.6	4.6	1952	
6.5	9.3	31.7	—	—	12.8	10.5	21.4	4.5	12.0	5.1	1953	
7.7	9.9	35.2	—	—	12.0	13.0	25.3	11.4	8.0	3.9	IV 1952	
5.5	10.6	16.3	—	—	13.0	8.7	30.9	7.6	8.8	5.5	I 1953	
8.9	9.0	29.4	—	—	11.0	12.1	21.1	2.3	12.4	5.6	II	Western Europe
5.6	8.6	45.7	—	—	12.9	10.5	20.5	2.8	14.0	2.7	III	
6.1	8.9	35.5	—	—	14.3	10.7	13.1	5.3	13.0	6.6	IV	
6.8	8.2	41.7	—	—	14.8	7.9	7.9	3.5	12.8	7.0	I 1954	
5.7	8.0	45.9	—	—	11.2	10.6	12.2	7.7	11.1	6.8	II	
59.5	43.6	41.7	6.8	4.9	58.6	49.6	33.4	26.6	13.2	4.8	1948	
90.2	60.6	36.0	23.8	9.2	103.2	56.7	50.3	34.8	11.0	4.9	1950	
29.9	110.0	66.8	35.4	40.1	185.6	100.1	77.3	47.4	22.1	7.0	1951	
26.2	72.2	80.8	44.1	34.4	120.7	90.7	49.2	52.5	13.1	5.9	1952	
26.4	71.4	84.0	28.9	50.8	81.7	72.9	53.6	25.4	13.8	5.8	1953	
17.6	71.2	97.5	31.2	36.6	108.2	85.9	58.5	32.7	15.8	4.6	IV 1952	
14.2	67.8	58.2	39.5	30.3	94.2	78.1	73.7	32.9	11.3	5.4	I 1953	
27.6	59.1	57.8	25.0	56.1	78.3	78.8	41.2	13.5	8.3	5.5	II	United Kingdom
31.3	75.8	75.9	30.1	59.3	78.3	66.9	49.1	23.9	16.7	4.0	III	
132.5	82.7	64.0	21.1	57.7	75.9	67.7	50.2	31.4	18.9	8.3	IV	
132.1	65.6	51.6	20.6	61.6	81.6	70.0	50.4	38.6	21.8	9.4	I 1954	
131.9	62.6	53.2	29.7	67.3	75.9	75.5	36.6	35.4	15.7	12.0	II	
115.6	2.0	10.8	4.2	1.3	28.2	40.5	13.4	20.4	0.8	1.3	1948	
61.7	6.5	7.4	6.5	1.6	44.6	41.3	17.2	23.1	1.3	1.3	1950	
75.0	19.5	13.0	13.5	8.0	99.3	64.4	23.9	27.6	3.2	1.6	1951	
78.4	6.1	16.5	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1.2	1952	
73.8	4.2	13.2	8.3	12.2	39.6	53.5	21.1	14.4	1.3	1.1	1953	
65.6	4.2	22.0	8.0	10.0	54.0	63.4	14.9	19.7	1.2	0.8	IV 1952	Eastern Europe
73.1	3.6	13.2	14.3	8.5	51.0	59.4	29.4	21.0	1.8	0.9	I 1953	
71.3	4.5	11.3	6.9	11.0	41.3	57.9	16.9	7.1	1.1	1.2	II	
76.0	4.5	16.1	9.5	14.1	36.7	48.2	16.4	12.2	1.2	0.9	III	
74.6	4.3	12.4	2.4	15.4	29.3	48.5	21.6	17.1	1.0	1.5	IV	
77.6	3.1	9.1	5.3	12.5	32.1	47.6	17.4	20.6	1.6	1.9	I 1954	
78.0	5.5	9.0	8.9	9.0	30.8	51.3	12.5	20.7	0.9	2.7	II	
5.3	0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0.1	1948	
3.0	0.2	0.7	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0.1	1950	
3.9	0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—	1951	
2.7	2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8	—	0.1	1952	
2.0	1.1	1.4	1.0	1.4	4.2	1.6	3.2	0.4	—	—	1953	
1.9	7.1	1.2	0.5	0.6	4.5	1.1	12.8	1.2	—	0.1	IV 1952	
2.2	1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	—	—	I 1953	
1.9	1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	0.1	II	
2.1	1.4	1.9	1.5	2.2	4.2	1.6	1.6	0.1	—	—	III	
1.9	0.9	1.3	1.4	2.0	2.7	1.3	1.5	0.4	—	0.1	IV	
2.4	0.3	1.7	0.7	2.1	4.3	1.4	2.9	1.2	—	—	I 1954	
2.2	1.0	2.1	0.4	0.7	2.9	0.9	4.4	0.3	—	—	II	

EXTERNAL TRADE

DIRECTION OF
Quarterly averages

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA*	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
North America	1948	0.6	1.7	0.5	6.0	16.0	6.4	..	..	10.0	26.7	60.9	89.4
	1950	0.9	0.8	3.7	3.0	23.2	2.9	0.9	4.9	14.0	30.8	61.8	58.6
	1951	0.2	0.9	3.6	4.1	14.8	5.3	1.2	3.8	7.8	20.2	85.9	118.1
	1952	0.6	2.6	3.1	5.7	12.2	9.9	0.9	6.8	5.8	13.1	70.9	159.5
	1953	1.1	1.8	4.0	4.4	10.6	3.6	1.4	4.9	4.3	12.5	57.9	56.9
	1952 IV	0.5	1.7	4.2	4.5	11.5	11.1	1.0	7.2	3.5	12.0	58.6	54.8
	1953 I	1.3	1.6	2.7	4.5	14.5	3.4	1.7	5.8	4.6	11.5	63.8	64.2
	1953 II	1.3	2.0	1.7	5.3	8.9	6.3	1.4	4.8	4.0	14.1	54.2	67.7
	1953 III	1.7	2.0	4.9	3.7	9.5	2.4	1.3	4.4	3.9	12.4	56.2	53.6
	1953 IV	0.2	1.6	6.8	4.0	9.5	2.3	1.0	4.6	4.8	11.9	57.3	42.2
	1954 I	0.9	1.6	4.6	5.1	12.9	2.5	1.1	4.9	4.2	13.5	49.6	33.6
	1954 II	0.3	1.8	4.0	7.0	10.2	2.4	1.0	3.7	4.7	16.4	48.5	48.6
	1948	0.6	1.6	0.5	6.0	12.6	5.7	..	..	9.6	24.4	54.3	82.2
United States of America	1950	0.1	0.8	3.7	3.0	17.6	1.8	0.9	4.3	13.5	28.6	54.8	52.9
	1951	0.2	0.8	3.6	4.1	10.5	4.3	1.2	3.4	7.1	16.3	75.1	105.9
	1952	0.6	2.5	3.1	5.6	8.3	7.8	0.9	6.3	5.0	9.6	63.3	143.8
	1953	1.1	1.8	4.0	4.4	6.2	2.7	1.3	4.5	3.3	9.9	50.5	47.0
	1952 IV	0.5	1.7	4.2	4.3	7.4	9.4	1.0	6.5	2.6	8.8	53.6	49.6
	1953 I	1.3	1.6	2.7	4.5	8.7	3.1	1.7	4.9	3.4	8.6	55.4	52.4
	1953 II	1.3	2.0	1.7	5.3	5.7	3.9	1.3	4.5	3.0	11.3	48.0	61.8
	1953 III	1.7	2.0	4.9	3.7	5.9	1.9	1.3	4.2	3.1	10.8	47.7	40.0
	1953 IV	0.2	1.5	6.8	4.0	4.5	2.0	1.0	4.3	3.8	9.0	51.0	33.8
	1954 I	1.6	0.8	4.6	5.1	9.1	2.0	1.1	4.4	3.4	10.9	43.0	30.8
	1954 II	0.3	1.7	4.0	7.0	6.2	1.8	1.0	3.3	3.8	14.3	40.9	47.1
Latin American Republics	1948	0.2	—	—	0.2	1.0	1.1	..	..	0.1	—	24.0	12.6
	1950	—	—	—	0.3	1.1	0.6	0.4	—	—	—	12.4	1.8
	1951	—	—	—	—	1.1	—	0.4	—	—	—	24.5	2.8
	1952	—	—	0.2	0.8	0.7	0.1	—	—	—	—	14.2	0.7
	1953	—	—	—	—	0.2	—	0.4	—	—	0.1	16.1	0.4
	1952 IV	—	—	1.0	3.1	1.6	0.2	—	—	—	—	18.9	0.6
	1953 I	—	—	—	—	0.1	—	—	—	—	—	9.4	1.2
	1953 II	—	—	—	—	0.2	—	—	—	—	—	12.4	0.2
	1953 III	—	—	—	—	0.2	—	1.6	—	—	0.5	22.0	0.2
	1953 IV	—	—	—	—	0.3	—	0.1	—	—	—	20.7	—
	1954 I	—	—	—	—	0.1	—	—	—	—	—	5.2	2.0
	1954 II	—	—	—	—	0.5	—	0.1	0.1	—	—	5.0	0.7
Oceania	1948	—	1.4	0.5	0.6	8.3	10.8	..	..	1.7	4.2	18.0	20.9
	1950	0.1	0.6	0.1	0.1	8.0	4.2	—	1.2	1.9	3.5	16.9	23.7
	1951	—	0.8	—	—	9.0	6.5	0.2	0.5	3.5	4.0	28.8	10.6
	1952	—	0.9	0.2	0.1	5.8	6.5	0.1	0.3	0.9	2.4	14.4	8.7
	1953	—	1.1	—	—	8.6	9.2	—	1.2	2.1	2.5	10.2	14.6
	1952 IV	—	0.7	0.9	0.2	5.1	5.3	—	0.6	0.8	2.9	5.5	5.6
	1953 I	—	1.3	—	—	6.9	8.2	—	1.6	1.5	2.6	8.6	6.3
	1953 II	—	0.6	—	—	9.9	11.8	0.4	0.8	2.1	2.2	12.6	24.0
	1953 III	—	0.9	—	—	9.6	9.2	—	1.3	2.3	2.1	9.1	21.3
	1953 IV	—	1.7	—	—	8.1	7.5	—	1.0	2.6	3.2	10.3	6.7
	1954 I	—	0.7	—	—	9.8	6.7	0.1	0.5	2.2	3.0	12.6	5.8
	1954 II	—	0.7	—	—	10.4	5.8	0.2	0.5	2.9	2.8	15.0	7.3
Sterling Area	1948	49.5	36.5	5.8	2.8	41.0	53.8	..	..	26.2	36.3	191.6	264.2
	1950	24.0	21.0	4.1	1.3	36.9	43.6	4.7	7.2	44.3	49.7	164.6	141.6
	1951	32.9	22.4	8.8	1.4	51.2	57.3	7.9	4.9	61.0	67.9	218.0	190.1
	1952	43.0	32.2	8.5	1.7	38.1	57.0	7.1	5.9	32.0	44.8	168.4	154.1
	1953	32.5	28.2	5.6	0.8	36.1	53.2	7.9	5.1	32.2	45.4	146.0	144.5
	1952 IV	42.9	35.5	12.4	4.3	39.7	51.9	1.5	5.9	27.8	47.4	142.3	135.4
	1953 I	21.4	24.4	7.3	0.4	33.6	49.1	6.1	4.3	33.1	49.6	134.2	125.7
	1953 II	53.5	27.8	7.8	1.3	38.7	59.3	10.4	4.2	31.5	47.4	122.7	168.4
	1953 III	38.2	33.5	4.2	0.8	36.0	50.5	10.3	4.6	30.8	39.8	150.1	159.1
	1953 IV	17.0	27.3	3.0	0.9	38.0	53.9	4.8	7.4	33.3	44.7	177.2	124.8
	1954 I	16.3	25.1	2.5	0.9	37.1	41.6	3.5	5.2	34.8	37.5	147.9	129.4
	1954 II	33.5	25.5	3.0	0.7	51.6	45.6	12.0	4.0	34.2	38.4	128.4	155.9
ECAFE Sterling Countries	1948	43.9	13.8	5.8	1.0	4.4	24.2	..	..	17.0	10.5	81.6	110.2
	1950	22.3	13.6	3.9	0.7	4.3	23.5	4.4	5.3	32.5	25.9	58.6	38.3
	1951	28.5	13.0	3.6	0.7	5.0	25.2	7.1	3.6	44.5	32.3	57.4	83.0
	1952	33.8	20.2	6.6	1.0	4.8	22.9	6.0	4.6	24.8	18.0	61.0	43.4
	1953	26.0	14.9	5.6	0.8	2.4	19.2	5.5	3.3	20.1	18.5	32.0	32.4
	1952 IV	28.7	24.2	4.9	1.3	6.0	21.6	1.5	4.4	20.9	18.9	43.7	33.9
	1953 I	15.4	12.7	6.6	0.2	1.8	17.0	6.0	2.9	23.2	20.0	30.7	23.4
	1953 II	46.5	15.8	8.5	1.5	1.3	19.3	8.2	2.6	19.7	19.9	31.1	44.7
	1953 III	29.0	18.8	4.2	0.8	4.6	18.0	3.5	2.4	18.5	16.8	36.4	38.4
	1953 IV	13.3	12.4	2.9	0.8	1.9	22.7	4.5	5.1	19.0	17.4	29.9	23.1
	1954 I	10.9	11.1	2.5	0.8	2.8	16.5	4.4	4.1	18.3	14.1	33.6	27.4
	1954 II	30.0	12.7	3.0	0.7	3.6	20.7	11.1	2.3	19.6	16.4	28.9	38.4

GENERAL NOTES:

1. Countries included in the total for ECAFE region are the following:

- i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya, British Borneo and Pakistan.
 ii) Non-sterling countries—Cambodia-Lao-Viet-Nam, China, Indonesia, Japan, Philippines, Thailand and Korea.

2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan.

3. Having regard to the considerable volume of trade of Cambodia-Lao-Viet-Nam and Indonesia with France and French Franc Area and the Netherlands respectively, these figures are shown separately below:—

INTERNATIONAL TRADE (Cont'd)

or quarters

EXTERNAL TRADE

Million dollars

	INDONESIA		JAPAN		MALAYA		PAKISTAN ^a		PHILIPPINES		Year and Quarter	TRADE WITH
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports ^b		
89.4	17.8	28.4	16.9	112.4	60.0	27.4	12.4	6.6	53.8	120.2	1948	North America
58.8	29.5	21.5	50.3	114.8	94.9	8.8	11.4	8.8	62.7	66.1	1950	
118.1	51.9	41.6	52.0	217.7	113.0	20.9	8.3	8.0	65.8	88.8	1951	
159.5	58.7	41.2	63.8	237.4	60.1	18.0	5.6	10.1	60.4	80.3	1952	
56.9	42.7	34.1	65.2	242.4	45.1	12.7	7.4	4.2	66.4	83.4	1953	
54.8	55.9	39.0	78.3	242.1	57.9	14.6	7.3	6.7	59.4	71.6	IV 1952	
64.2	45.5	34.8	61.6	233.1	55.5	13.1	12.4	6.1	69.7	82.9	I 1953	
67.7	50.5	34.8	73.3	213.0	42.9	12.6	6.7	3.4	73.2	94.9	II	
53.6	42.9	34.4	66.5	216.3	44.3	12.5	3.8	4.0	62.5	72.3	III	
42.2	31.9	32.3	59.6	307.0	37.6	12.5	6.8	3.5	60.4	83.4	IV	
33.6	28.8	23.9	62.6	351.1	40.8	13.3	7.1	5.2	69.5	80.5	I 1954	United States of America
48.6	36.4	22.8	70.3	310.1	47.6	12.0	5.7	4.1	69.9	90.8	II	
82.2	17.2	26.9	16.4	110.4	53.8	24.6	12.0	6.0	52.4	117.7	1948	
52.9	29.4	20.8	45.8	106.8	85.6	7.2	11.0	8.2	61.6	63.9	1950	
105.9	51.6	40.2	47.4	171.8	97.5	17.8	7.9	7.6	64.6	85.4	1951	
143.8	58.3	39.6	58.6	192.1	53.6	14.9	5.6	9.1	59.5	76.6	1952	
47.0	42.3	33.8	58.5	189.4	39.2	11.4	7.2	4.1	65.9	80.6	1953	
49.6	55.6	39.4	72.8	166.0	51.2	12.8	7.3	6.2	58.3	68.4	IV 1952	
52.4	45.2	34.5	57.0	181.4	48.5	11.7	12.3	5.9	69.5	80.4	I 1953	
61.8	50.1	34.3	66.9	177.2	37.6	11.4	6.5	3.2	73.0	91.6	II	
40.0	42.4	34.2	59.4	175.1	37.6	11.4	3.6	4.0	61.3	70.5	III	Latin American Republics
33.8	31.5	32.0	50.6	223.8	32.9	11.3	6.6	3.4	59.7	79.7	IV	
30.8	28.6	23.7	53.9	273.3	35.1	11.9	7.0	4.8	68.8	77.4	I 1954	
47.1	36.1	22.6	57.0	262.8	41.0	10.7	5.5	3.5	69.5	85.6	II	
12.8	0.1	0.7	0.4	20.9	0.8	1.0	1.8	0.2	1.3	3.0	1948	
1.8	0.4	—	10.4	16.8	5.4	0.4	1.8	0.6	1.9	0.2	1950	
2.8	1.2	0.4	22.3	64.8	16.2	0.3	—	—	2.0	1.1	1951	
0.7	1.1	7.1	12.5	42.0	4.7	0.3	—	—	1.6	0.4	1952	
0.4	0.4	0.2	26.1	66.2	4.7	0.2	0.5	—	2.8	0.2	1953	
0.6	0.1	0.2	11.5	76.4	1.8	0.4	—	—	1.2	0.5	IV 1952	
1.2	0.1	—	14.8	49.8	5.0	0.2	0.2	—	1.9	0.3	I 1953	Oceania
0.2	0.4	0.4	21.7	64.6	4.2	0.1	0.5	—	3.3	0.2	II	
0.2	0.5	0.3	25.3	65.8	4.2	0.4	0.7	—	3.8	0.1	III	
—	0.5	0.1	42.6	84.5	5.5	0.2	0.7	—	2.2	0.2	IV	
2.0	0.6	—	44.8	82.9	3.2	0.1	1.7	—	1.6	0.1	I 1954	
0.7	0.7	—	42.4	64.9	7.2	0.3	0.4	—	2.1	1.1	II	
20.9	1.2	8.5	1.1	2.1	14.1	22.4	0.5	0.3	0.2	1.8	1948	
23.7	4.0	0.7	6.4	20.3	14.2	9.4	1.8	0.2	0.1	0.5	1950	
10.6	8.6	2.6	25.4	36.7	28.2	12.0	2.2	0.3	1.4	0.2	1951	
8.7	7.1	3.3	9.7	37.9	15.8	13.6	1.0	0.6	0.2	0.4	1952	
14.6	6.0	4.4	3.6	50.2	16.4	13.2	1.4	0.5	0.2	0.3	1953	Sterling Area
5.6	7.2	3.6	4.5	45.5	16.5	14.7	1.2	0.3	0.1	0.3	IV 1952	
6.3	6.4	1.6	1.6	57.3	10.8	14.5	1.2	0.1	0.1	0.2	I 1953	
24.0	5.0	3.7	2.5	66.9	21.9	12.5	1.0	0.1	0.1	0.2	II	
21.3	6.9	7.4	3.6	43.0	15.6	11.9	1.6	0.3	0.2	0.3	III	
6.7	5.8	4.8	6.6	33.7	17.2	14.0	1.8	1.5	0.3	0.5	IV	
5.8	6.9	4.8	5.1	41.4	14.4	10.5	2.5	0.1	0.3	0.7	I 1954	
7.3	8.5	3.1	6.2	36.2	18.6	12.3	1.4	1.0	0.2	0.6	II	
264.2	24.4	29.7	17.4	15.3	61.0	89.4	34.8	60.5	2.4	5.4	1948	
141.6	79.2	34.9	74.2	55.4	100.4	98.4	32.1	41.2	2.6	7.6	1950	ECAF Sterling Countries
190.1	137.2	57.3	153.1	111.6	182.6	139.1	81.8	54.9	5.2	7.6	1951	
154.1	77.4	66.9	134.8	125.1	116.0	131.2	36.8	61.7	2.8	7.5	1952	
144.5	65.7	61.9	79.0	150.6	91.9	110.6	37.0	23.4	2.3	6.0	1953	
135.4	81.9	93.8	91.7	134.3	103.5	132.6	41.9	35.5	2.2	5.4	IV 1952	
125.7	50.8	50.9	73.3	166.8	95.8	119.3	41.7	30.1	2.6	5.7	I 1953	
168.4	61.7	77.0	74.1	174.3	102.3	115.2	31.9	13.9	2.1	7.0	II	
159.1	75.7	64.5	81.6	143.1	86.8	104.7	37.8	21.6	2.3	4.9	III	
124.8	74.6	55.2	87.1	118.3	82.6	103.4	36.6	27.9	2.1	6.4	IV	
129.4	72.9	60.0	85.3	121.6	78.9	91.8	36.1	30.5	2.3	10.2	I 1954	
155.9	75.5	40.6	109.3	138.8	90.4	93.6	26.8	30.0	2.0	9.7	II	Sterling Area
110.2	20.9	9.5	8.8	10.9	15.5	20.8	20.6	38.7	1.4	2.2	1948	
38.3	67.4	25.4	42.7	29.6	35.1	45.6	12.4	16.0	0.8	4.7	1950	
83.0	106.9	37.4	83.6	63.4	45.6	58.4	54.4	25.8	0.8	4.8	1951	
43.4	63.0	43.2	84.3	68.1	28.6	46.0	18.0	29.2	0.6	5.8	1952	
32.4	54.6	38.8	47.8	82.1	30.8	38.1	13.2	6.6	0.6	4.5	1953	
33.9	69.7	61.8	60.3	71.9	28.2	51.8	25.3	13.5	0.5	4.5	IV 1952	
23.4	40.5	33.5	42.6	91.6	28.8	39.0	9.5	7.3	0.5	4.6	I 1953	
44.7	51.2	57.2	48.0	90.0	33.7	38.7	13.1	4.7	0.5	4.9	II	
38.4	63.4	35.7	48.7	79.7	28.9	37.8	18.3	7.0	0.9	4.2	III	Sterling Area
23.1	63.5	29.0	51.8	67.0	31.6	36.9	11.8	7.3	0.7	4.2	IV	
27.4	62.6	38.1	50.0	63.8	27.0	27.9	12.7	7.3	0.3	6.8	I 1954	
38.4	61.2	20.1	67.4	82.1	35.4	24.8	10.1	6.5	0.8	6.0	II	

Cambodia-Laos-Viet-Nam

with France

with French Franc Area

Exp. Imp. Exp. Imp. Exp. Imp.

1952 8.8 88.0 11.7 95.5 48.3 29.7

1953 II 3.9 85.3 6.8 94.0 39.3 21.2

III 4.3 76.0 6.3 78.9 43.6 24.7

IV 4.8 64.0 7.2 66.7 53.8 23.2

1954 I 3.1 59.5 6.2 62.7 43.5 17.6

II 3.3 61.4 6.1 63.9 39.8 17.7

Indonesia with

Netherlands

Exp. Imp. Exp. Imp.

1952 29.7 48.3 29.7 48.3

1953 39.3 21.2 39.3 21.2

1954 43.6 24.7 43.6 24.7

53.8 23.2 53.8 23.2

43.5 17.6 43.5 17.6

39.8 17.7 39.8 17.7

a. For 1948, year beginning 1 April.

b. Imports valued f.o.b.

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938 ⁱ	1948	1951	1952	1953	1953				1954				
						II	III	IV	I	II	Apr	May	Jun	
BURMA (K.)														
Cotton yarn and fabrics (incl. thread)	3.4 [†]	9.2 [†]	13.3	14.1	16.9	16.0	18.6	16.9	15.9	13.7	13.5	15.3	12.4	
Base metals and manufactures thereof	2.1 [†]	5.9 [†]	3.1	6.0	7.3	7.4	7.7	8.4	8.0	9.6	8.8	9.4	10.7	
Machinery and transport equipment	1.8 [†]	9.3 [†]	3.9	6.7	8.1	6.8	9.9	7.2	9.7	10.0	10.3	10.3	9.5	
CAMBODIA-LAOS-VIETNAM (Pr.)														
Live animals and food ^a	1.0	15.6	83.4	83.5	133.0	110.6	168.6	119.1||	139.4 ^r	141.9	119.9	166.2	139.5	
Textiles and apparel, incl. yarn and thread	4.4	42.5	167.9	176.3	240.8	186.4	253.6	306.5	229.5 ^r	189.0	201.9	208.9	156.3	
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3.3	56.8	128.0	171.5	237.3	198.6	308.2	227.7	240.0	274.2	269.5	292.4	260.8	
CEYLON (Rs.)														
Food and drink	8.7	42.5	57.0	64.5	65.1	71.0	62.8	69.7	51.6	62.1	59.8	49.0	77.5	
Raw materials and articles mainly unmanufactured	2.8	8.8	13.5	14.3	13.6	15.2	13.9	10.9	12.6	10.9	10.5	7.7	14.6	
Articles wholly or mainly manufactured	7.8	29.9	58.2	61.7	53.9	59.3	53.2	54.5	46.1	47.7	45.5	42.5	55.0	
Cotton yarn and manufactures	1.4	10.3	11.8	10.4	9.1	9.6	8.1	9.9	8.0	2.4	8.1	8.5	7.3	
Machinery and vehicles	1.0	5.2	11.0	14.1	12.7	18.0	12.5	10.9	8.4	8.7	7.7	8.4	10.0	
Base metals and manufactures thereof	0.9	2.6	6.1	6.2	5.5	6.2	5.3	5.6	4.6	4.4	3.9	3.9	5.5	
Electrical goods and apparatus	0.3	0.9	2.3	1.8	2.0	2.0	2.2	2.5	1.9	1.7	1.4	1.8	1.9	
CHINA ^b (Taiwan only, \$)														
Beans and peas . . . . .	..	..	0.6	0.7	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.2
Wheat flour . . . . .	..	..	0.1	0.7	0.4	0.3	0.9	0.1	0.2	—	—	—	—
Cotton piecegoods . . . . .	..	..	0.4	0.2	0.1	—	—	—	—	—	—	—	—
Chemical Fertilizers . . . . .	..	..	0.4	1.1	0.4	—	0.2	0.8	1.0	0.7	0.7	—	1.3
Medicines and drugs . . . . .	..	..	0.5	0.6	0.5	0.5	0.6	0.5	0.5	0.4	0.5	0.3	0.5
Iron and steel manufactures . . . . .	..	..	0.8	1.0	0.7 ^r	0.8 ^r	0.8 ^r	0.5	0.6	0.6	0.6	0.6	0.6
Machinery and vehicles . . . . .	..	..	0.9 ^r	1.3	1.2 ^r	1.2 ^r	1.2 ^r	1.0	1.0	1.2	1.3	1.0	1.2
INDIA ^c (Rs.)														
Food and drink	14.9	73.7	175.8	188.1	90.7	144.3	86.0	46.6	28.9	40.1	15.9	48.6	55.6	
Raw materials and articles mainly unmanufactured	30.5	88.3	186.9	186.1	132.4	159.1	149.7	110.2	144.6	202.5	219.2	221.0	159.1	
Cotton, raw and waste	9.2	38.8	94.3	95.8	41.5	64.2	46.3	20.1	45.2	74.2	79.2	89.5	54.0	
Mineral oils	13.6 ^j	26.7	53.2	65.0	65.7	71.8	72.1	65.8	71.7	95.8	118.5	96.7	71.9	
Articles wholly or mainly manufactured	78.0	224.5	270.7	247.1	227.5	228.1	225.1	233.6	232.5	223.6	227.9	227.7	223.2	
Machinery and vehicles	22.1	89.4	104.1	104.5	91.9	90.8	87.4	91.1	95.9	81.9	85.5	78.4	81.8	
Implements and instruments	4.9 ^k	7.7	10.5	8.5	8.3	8.1	8.2	8.7	8.3	14.2	14.8	14.5	13.2	
Electrical goods and apparatus	2.8	8.0	7.6	10.8	11.9	13.3	12.1	8.2	9.5	9.3	10.7	8.9	8.3	
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32.3	29.7	34.6	32.0	30.5	39.0	33.5	46.2	37.5	
INDONESIA (Rp.)														
Food	7.3	9.5	27.0	162.3	118.5	143.5	106.1	88.4	127.8	72.4	67.8	62.8	86.8	
Textiles	10.3	23.5 ^p	89.0	217.8	212.9	230.1	262.1	207.5	214.6	214.9	232.5	207.4	204.7	
Base metals (incl. ores) and manufactures thereof	4.9	4.2	12.1	89.9	67.9	58.6	90.9	63.7	60.7	74.7	73.8	69.6	80.7	
Machinery and appliances (incl. electrical material)	5.1	6.8	8.6	36.4	50.7	44.4	60.6	49.4	74.8	86.7	90.4	76.3	93.1	
Transport equipment	3.0	3.7	6.6	19.7	62.5	49.6	59.7	79.7	41.1	30.2	33.6	27.3	29.6	

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (Cont'd)

Monthly averages or calendar months

Millions

Jun		1938 ⁱ	1948	1951 ^q	1952	1953	1953			1954				
							II	III	IV	I	II	Apr	May	Jun
12.4	JAPAN (\$)													
10.7	Food	19.5 ^m	26.7 ^m	41.5	49.6	50.4	56.0	42.7	57.6	69.2	67.8	80.5	68.0	55.0
9.5	Cereal and cereal preparations . . . . .	..	..	31.3	36.1	36.1	39.8	28.8	44.2	57.0	54.6	69.5	53.6	40.7
	Sugar and sugar preparations . . . . .	..	..	8.0	9.8	10.5	12.5	10.5	8.7	6.9	9.7	6.8	11.4	10.8
139.5	Crude materials (inedible) other than fuels . . . . .	..	..	87.2	80.6	95.2	96.7	99.9	100.3	109.2	107.6	111.2	116.4	95.3
156.3	Oil-seeds, oil nuts & oil kernels . . . . .	..	..	5.1	3.2	6.7	7.5	6.0	4.7	12.5	8.1	6.2	11.1	6.9
	Crude rubber, including synthetic and reclaimed . . . . .	..	..	4.5	4.1	4.2	3.9	4.3	4.2	3.7	3.0	4.3	2.4	2.2
260.8	Textile fibers, raw . . . . .	..	..	48.7	49.7	55.5	54.8	58.8	57.1	56.4	62.7	64.2	67.0	56.9
	Metalliferous ores and metal scrap . . . . .	..	..	10.7	12.1	14.4	15.3	14.1	16.5	18.0	17.1	18.2	18.5	14.7
	Mineral fuels, lubricants and related materials . . . . .	..	..	16.4	19.5	24.1	22.8	22.7	25.4	24.3	22.0	24.8	23.4	17.7
77.5	Chemicals	4.2	3.9	3.8	3.7	5.8	6.2	6.2	5.8	6.6	6.5	8.2	6.4	5.1
14.6	Machinery and transport equipment	3.5	0.1	7.0	7.6	13.4	12.1	14.0	18.6	17.8	15.5	16.1	15.2	15.2
55.0	Other manufactured goods . . . . .	..	..	7.0	4.9	7.5	7.3	8.4	8.6	9.0	8.3	9.5	7.6	7.7
7.3														
10.0	MALAYA (M\$)													
5.5	Food	11.9	48.2	82.0	84.2	79.4	71.2	91.3	77.9	63.3	59.8	63.2	64.8	51.6
1.9	Cotton yarn and manufactures	2.2	17.9	30.0	18.2	17.8	19.8	17.6	17.3	14.4	14.3	16.2	13.7	12.8
	Machinery and vehicles	3.1	9.9	22.9	27.9	18.2	19.1	14.3	14.2	14.3	18.0	17.9	21.2	15.0
	Base metals and manufactures thereof	1.6	4.7	15.0	14.8	12.6	15.3	10.4	9.7	11.2	12.5	13.1	11.9	12.5
0.2	Electrical goods and apparatus	0.5	2.4	5.2	5.6	5.4	6.0	4.4	4.4	5.1	5.5	6.7	4.4	5.3
—														
1.3	PAKISTAN (Rs.)													
0.5	Mineral oils . . . . .	..	2.3 [†]	6.1	8.5	8.3	7.4	11.8	8.8	8.3	2.6	3.0	3.1	1.8
0.6	Cotton piecegoods . . . . .	..	22.4 [†]	27.5	23.0	1.2	0.3	—	—	0.3	0.7	0.1	0.3	1.8
1.2	Cotton twist and yarn . . . . .	..	9.4 [†]	18.0	16.3	4.0	2.3	5.3	6.5	4.4	4.1	2.9	4.6	4.9
	Machinery and vehicles . . . . .	..	8.6 [†]	17.2	21.6	12.0	8.5	11.1	12.6	20.0	20.6	16.4	21.3	24.2
55.6	Iron and steel manufactures . . . . .	..	..	7.2	14.0	4.9	3.3	2.7	7.7	6.7	5.7	2.5	12.2	2.5
159.1														
54.0	PHILIPPINES ^d (P.)													
71.9	Grains and preparations ^e	1.3 ⁿ	7.0	7.5	6.1	3.4 ^r	3.3	3.9	3.0	3.4	4.5	4.6	3.7	5.3
223.2	Cotton and manufactures ^f	3.6	11.4	12.2	9.2	12.3	14.6	7.4	9.8	12.2	14.1	13.1	15.6	13.4
81.9	Rayon and other synthetic textiles ^g	0.4	8.8	2.3	3.9	—	—	—	—	—	—	—	—	—
13.2	Mineral oils (petroleum products) ^h	0.9	5.7	6.0	5.6	7.6 ^r	5.6	6.9	7.2	9.1	9.0	7.4	6.9	12.8
8.3	Machinery and vehicles (incl. spare parts)	2.7	8.9	7.0	9.7	9.7	10.1	7.9	11.4	12.6	11.9	11.4	12.8	11.5
37.5	Iron and steel manufactures ^h	1.8	4.7	6.0	4.0	7.7 ^r	8.6	6.1	7.2	7.3	3.6	3.2	3.7	3.9
86.8														
204.7														

a. From 1954, figures relate to food only.

b. Excluding FOA/MSA/ECA imports.

c. For 1938, former British Provinces and Indian States.

d. Imports valued f.o.b.

e, f, g, h. From 1953 onwards, changed respectively into cereals and preparations; textile yarn, fabrics and made up articles; mineral fuels, lubricants and related materials; and base metals and manufactures.

i. 1936 for Japan, 1939 for Indonesia.

j. Including vegetable and animal oils.

k. Including cutlery and hardware.

m. Including drink.

n. 1937.

p. Comprise cotton yarn and cotton piecegoods.

q. Average of Jul-Dec for Japan.

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938 ^c	1948	1951 ^e	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
BURMA (K.)													
Rice and products	18.2†	48.7†	60.3	82.6	70.7 ^r	111.1 ^r	60.3 ^r	43.4 ^r	78.4	95.4	108.9	98.3	78.9
Raw rubber	0.5†	0.5†	2.4	2.2	2.0	3.0	0.3	0.7	2.2	1.8	1.8	0.8	2.7
Teak	2.5†	4.6†	4.0	3.0	2.4	2.2	2.4	2.5	2.2	1.7	2.5	1.0	1.4
Metal and ores	4.8†	1.8†	3.5	5.0	3.9	4.2 ^r	4.8	1.2	3.0	1.0	1.5	0.9	0.5
CAMBODIA-LAOS-VIETNAM (Pr.)													
Food	13.4	52.2	110.0	77.1	99.8	73.8	110.7	138.0	161.0 ^r	137.4	103.7	169.7	138.9
Rice	8.2	37.7	73.9	66.3	86.8	64.4	101.8	115.3	150.8	125.8	89.8	158.4	129.2
Rubber	4.2	25.8	102.7	71.8	88.6	55.4	106.2	124.3	78.7	74.7	65.6	86.1	72.4
Mineral products	1.2	2.6	6.1	6.8	13.1	6.0	21.1	21.3	14.1	15.2	16.9	11.3	17.3
CEYLON (Rs.)													
Tea	14.4	49.2	66.7	60.3	68.8	72.6	69.1	66.9	81.1	98.6	80.4	106.6	108.7
Coconut and products	2.3	12.8	26.9	19.5	20.5	17.9	21.1	24.4	15.0	15.5	15.0	15.6	15.8
Rubber	3.8	12.0	48.5	31.1	28.1	23.7	25.6	29.0	28.3	2.2	12.8	11.5	6.6
CHINA (Taiwan only, \$)													
Rice . . . . .	..	..	1.3	1.2 ^r	1.1	—	0.4	2.2	—	2.3	3.5	3.2	—
Fruits, fresh, dried and preserved . . . . .	..	..	0.5	0.6 ^r	0.5	0.6 ^r	0.5 ^r	0.5	0.3	0.8	0.6	0.9	0.8
Tea . . . . .	..	..	0.6	0.5	0.6	0.6	0.6	0.8	0.3	0.8	0.2	1.1	1.1
Sugar . . . . .	..	..	4.2	4.6 ^r	7.1 ^r	5.2	11.9	7.7	4.1	8.7	4.4	10.7	10.9
Essential oils . . . . .	..	..	0.3	0.2	0.2	0.1	0.1	0.1 ^r	0.1	0.2	0.2	0.1	0.3
INDIA^a (Rs.)													
Food and drink	30.6	58.9	119.6	109.1	117.2	73.4	123.9	161.2	104.9	82.3	47.2	73.0	126.6
Tea	19.6	46.5	78.7	66.7	85.5	40.5	97.4	131.6	70.6	44.8	23.6	41.5	69.2
Spices	0.7	4.0	24.9	19.0	13.8	14.6	8.1	11.1	17.5	10.2	14.4	9.8	6.4
Raw materials and articles mainly unmanufactured	59.5	90.3	127.7	116.4	97.4	100.3	73.9	91.2	79.2	75.9	77.3	75.1	75.4
Cotton raw and waste	19.9	18.6	21.4	20.3	16.7	21.4	9.2	15.1	18.7	10.5	13.8	10.1	7.7
Hides and skin raw or undressed	3.0	5.0	8.3	4.9	4.9	5.2	4.8	4.7	5.5	6.2	7.2	6.3	5.0
Vegetable oil other than aromatic	0.7	10.9	25.4	20.0	7.8	10.5	2.7	1.7	1.0	4.8	4.5	4.4	5.4
Articles wholly or mainly manufactured	40.2	192.3	347.6	244.6	201.5	195.2	210.0	218.3	218.6	194.6	174.1	205.6	204.2
Cotton yarns and manufactures	6.3	30.8	78.4	60.4	52.8	57.3	53.6	58.4	70.0	52.2	48.3	60.9	47.4
Jute yarns and manufactures	21.8	126.3	200.3	135.6	92.1	82.2	103.9	102.7	90.8	95.8	86.0	90.1	111.1
Hides and skins tanned or dressed and leather	4.4	9.9	27.8	14.6	21.1	21.6	17.7	20.2	23.3	15.1	11.2	20.2	13.9
INDONESIA (Rp.)													
Tea	4.7	1.8	11.6	20.9	22.3	23.8	20.4	23.4	31.1	36.4	34.2	36.9	37.3
Copra	3.2	13.1	40.7	43.2	54.1	39.3	59.9	72.2	59.3	58.2	47.7	79.4	47.5
Rubber	13.0	21.3	206.9	344.7	256.6	284.0	272.2	204.1	189.2	204.2	215.3	207.4	190.4
Tin (and tin ore)	2.8	12.3	25.7	78.0	77.2	66.8	87.5	86.1	50.1	50.1	63.6	38.3	48.2
Petroleum and products	13.5	21.7	52.8	162.1	191.0	195.9	218.0	200.0	209.5	189.2	154.7	225.1	188.0
JAPAN (\$)													
Food	7.3 ^d	0.9 ^d	5.6	8.0	10.4	10.8	10.9	8.0	9.6	9.5	10.7	9.1	8.7
Fish and fish preparations . . . . .	..	..	3.6	3.8	5.1	5.1	5.8	5.2	5.8	5.5	6.1	5.7	4.7
Crude materials (inedible) other than fuels . . . . .	..	..	7.9	7.0	5.9	5.5	6.5	5.2	5.8	6.6	5.6	6.9	7.4
Textiles fibers . . . . .	..	..	5.4	4.1	3.9	3.7	4.5	4.0	3.7	4.0	3.3	4.1	4.5
Chemicals	3.6	0.9	3.4	3.3	5.2	6.5	2.6	4.3	4.3	8.0	8.1	8.7	7.2
Fertilizers, manufactured . . . . .	..	..	0.5	1.3	2.7	4.0	0.6	3.4	1.4	5.0	5.5	5.6	4.1
Textile yarn, fabrics, made-up articles and related products . . . . .	..	..	41.3	30.5	31.3	28.6	34.1	39.9	42.3	42.7	44.5	42.2	41.3
Base metals and manufactures of metals	7.5	1.0	27.7	28.4	15.6	15.7	13.2	16.0	16.7	16.0	19.1	15.0	13.8
Machinery & transport equipment	6.2	1.3	8.4	9.7	16.2	18.3	14.4	15.5	13.8	17.0	13.5	18.3	19.1
Other manufactured goods . . . . .	..	..	18.1	17.1	19.1	19.4	20.3	21.7	19.7	..	22.8	23.6	..
MALAYA (Ms)													
Food	4.7	11.2	28.4	27.9	21.0	17.9	24.8	21.8	22.7	26.5	26.8	27.6	25.2
Rubber	23.2	73.2	330.1	157.6	103.2	98.9	88.8	91.6	94.8	100.5	87.1	108.1	106.2
Tin (block, ingots, bars or slabs)	8.0	17.9	48.2	43.0	32.6	34.6	28.1	25.0	31.6	33.2	36.2	35.2	28.1
PAKISTAN (Rs.)													
Raw jute . . . . .	..	59.3†	86.9	58.0	47.6	34.1	48.5	43.3	51.2	42.4	39.0	55.0	33.3
Raw cotton . . . . .	..	31.6†	80.2	72.0	52.7	52.5	42.0	39.7	46.1	37.7	62.5	27.0	23.6
Raw wool . . . . .	..	2.8†	4.9	4.1	4.3	4.5	3.9	4.9	2.0	4.8	3.5	5.1	5.7
Hides and skins . . . . .	..	3.1†	4.9	2.8	3.3	3.2	3.1	2.8	3.9	2.6	2.6	1.8	3.5
Tea . . . . .	..	3.1†	5.0	2.7	2.9	1.7	4.5	4.3	0.6	1.2	0.5	1.0	2.2
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	11.2	6.8	6.5	6.9	5.8	5.3	5.4	4.2	3.9	4.5	4.1
Coconut products	4.9	34.6	32.8	20.2	25.5	20.5	29.4	30.4	26.3	25.3	24.9	22.1	28.8
Sugar centrifugal	7.7	3.5	11.4	15.0	15.6	19.1	14.5	10.4	23.0	21.3	32.5	17.0	14.3
THAILAND^b (\$)													
Rice	3.6†	10.6	16.5	18.0	17.8	21.8	19.0	14.0	12.5	10.4	12.5	9.2	9.5
Tin ore and concentrates	1.1†	1.2	1.8	1.9	1.7	1.5	1.2	1.9	1.0	1.7	1.8	1.5	1.6
Rubber	0.9†	2.8	8.1	4.2	3.1	2.6	3.0	2.5	3.1	3.2	2.8	2.5	4.2
Teak	0.2†	0.4	0.6	0.4	0.6	0.4	0.7	0.8	0.8	0.9	0.9	1.0	0.7

a. For 1938, former British Provinces and Indian States.

b. Value in dollars is supplied by the Bank of Thailand.

c. 1936 for Japan.

d. Including drink.

e. Average of Jul-Dec for Japan.

EXTERNAL TRADE

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months

Thousand tons

	1938	1948	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
RICE													
Burma	273.3 [†]	105.9 [†]	110.2	109.4 ^r	86.9 ^r	134.4 ^r	72.7 ^r	57.7 ^r	119.6 ^r	147.3	169.7	149.4	122.9
Cambodia-Laos-Viet-Nam	76.4	19.4	29.7	20.4	17.3	14.9	16.1	20.4	33.0	34.4	25.4	41.8	35.9
China (Taiwan only) . . . . .	..	..	7.1	8.8	4.9	—	1.7	10.3	—	11.0	17.2	15.9	—
Thailand	125.8	67.7	131.4	118.8	111.7	138.2	118.7	88.1	84.6	77.1	88.3	62.3	80.6
SUGAR													
China (Taiwan only) . . . . .	..	..	23.6	38.3	66.8	56.8	130.5	48.3	41.9	83.0	43.1	103.9	102.0
Indonesia	89.3	5.3	0.5	0.1	7.8	0.1	9.5	21.4	4.9	6.2	8.8	3.4	6.3
Philippines	68.2	18.1	47.2	66.1	64.3 ^r	76.0	56.9	47.8 ^r	95.1	86.0	131.5	68.7	57.8
TEA													
Ceylon	8.9	11.2	11.5	11.9	12.8	13.5	13.2	12.9	13.3	15.5	10.7	17.0	18.7
India	13.4 ^c	13.2	17.0	15.5	18.8	9.0	20.7	27.8	13.4	7.4	4.2	6.9	11.1
Indonesia	6.0	0.7	3.3	2.7	2.4	2.5	2.1	2.5	3.1	3.3	3.1	3.4	3.6
Japan	1.4 ^d	0.3	0.7	0.8	1.1	0.8	1.3	1.6	0.7	0.5	0.4	0.3	0.7
Pakistan . . . . .	..	1.2	1.8	0.9	1.0	0.6	1.5	1.4	0.1	0.7	0.1	0.7	1.3
COPRA AND COCONUT OIL^a													
Ceylon	8.7	9.2	10.3	11.1	9.0	7.4	8.1	10.7	6.7	6.6	6.4	6.8	6.8
Indonesia (copra)	25.8 ^c	12.1 ^c	23.1	17.1	15.3	10.3	18.1	20.2	13.9	15.8	12.4	22.1	12.9
Malaya	13.4	7.1	10.4	8.7	8.7	7.4	8.5	12.6	11.3	9.0	7.2	10.0	9.8
N. Borneo	0.4	0.3	0.9	0.8	0.7	0.6	0.7	0.8	1.0	1.2	1.2	1.3	1.2
Philippines	28.9 ^c	35.3	45.0	40.3	35.1 ^r	25.8	45.0 ^r	42.7	36.0	39.8	39.4	34.5	45.4
PALM KERNELS AND OIL^a													
Indonesia (palm oil)	14.2	3.3	8.1	10.1	11.0	6.7	11.1	16.4	9.1	9.1	6.7	12.0	8.6
Malaya	3.1	4.4	4.5	4.3	4.6	4.5	5.4	4.9	4.5	5.4	4.5	5.9	5.7
GROUND NUTS AND OIL^a													
Hong Kong	1.2	0.4	0.7	0.8	0.5	0.4	0.1	0.2	0.3	0.3	0.3	0.3	0.2
India	22.0 ^c	5.5	5.8	5.6	1.7	1.0	—	—	0.2	0.8	1.8	0.7	—
NATURAL RUBBER													
Brunei	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	—	0.1	0.1
Burma	0.6	0.8	0.8	1.2	0.9	1.0 ^r	0.2 ^r	0.8	1.1	0.9	1.0	0.5	1.4
Cambodia and Viet-Nam	5.0	3.5	4.4	5.1	6.0	3.4	6.6	7.9	5.9	5.9	5.3	7.4	5.0
Ceylon	4.2	7.8	8.8	7.6	8.2	6.6	7.9	8.8	9.5	3.9	3.4	5.6	2.9
Indonesia	25.5	36.6	67.2	61.8	57.1	59.9	63.0	54.1	54.5	55.4	60.5	55.4	50.2
Malaya (net export)	31.4	57.5	51.5	48.4	48.2	44.6	45.9	52.5	48.1	46.7	36.7	50.9	52.5
N. Borneo	0.8	1.7	1.8	1.6	1.4	1.5	1.4	1.4	1.4	1.3	1.4	1.2	1.4
Sarawak	1.5	3.4	3.6	2.7	2.0	2.4	2.2	1.4	1.5	1.7	1.6	1.7	1.9
Thailand	3.5	8.1	9.2	8.3	8.1	6.4	8.1	7.8	10.3	8.7	7.9	6.8	11.4
COTTON, RAW													
India	38.6 ^c	8.0	2.3	4.4	3.8	5.5	0.9	2.3	3.2	1.3	2.0	1.2	0.8
Pakistan . . . . .	..	13.6	18.3	20.4	23.6	23.4	19.6	17.9	18.9	15.0	24.1	10.8	10.1
COTTON YARN (metric tons)													
Hong Kong . . . . .	..	..	1,732	1,300	1,190	1,448	883	1,505	1,087	752	766	530	960
Japan	2,084 ^d	458	1,025	1,117	801	579	1,195	1,098	804	988	979	1,183	803
Malaya	197	22	167	119	113	130	92	143	95	42	18	30	77
COTTON PIECE GOODS (Mn metres)													
Hong Kong ^b . . . . .	..	..	12.2||	10.1	9.3	15.5	6.4	10.0	11.6	14.4	16.0	17.1	10.1
India	14.6 ^c	23.5	59.1	45.7	50.0	52.0	49.4	58.5	73.4	59.4	53.0	69.9	55.4
Japan (Mn sq. metres)	200.2 ^d	28.2 ^b	75.3	52.0	63.7	57.1	67.9	77.8	91.2	84.1	89.4	83.4	79.5
Malaya ^b	2.0	7.5||	14.5	9.6	8.0	14.7	5.7	4.0	3.5	3.1	3.3	3.2	2.7
JUTE													
Pakistan (raw) . . . . .	..	28.1 [†]	88.7	70.0	81.7	62.4	83.5	75.9	79.6	70.9	64.8	92.2	55.6
India (bag and cloth)	78.9 ^f	78.4	67.1	60.0	60.3	55.2	67.7	68.6	60.2	64.4	58.5	60.3	74.4
HEMP, RAW													
Philippines	11.8	6.2	10.3	9.1	9.3 ^r	9.2 ^r	8.7	7.9	8.6	7.4	7.0	7.8	7.4
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	81	81	81	81	81	81	81	81	81
Indonesia	1,160	2,753	2,604	2,929	2,771	2,385	3,155	3,143	2,364	2,670	3,344	2,024	2,643
Thailand	1,145	479	746	825	863	733	662	1,085	762	873	998	775	844
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	4,695	5,326	4,966	5,980	5,617	6,309	5,849	4,692
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	877	877	855	762	718	574	885	694
Malaya	84	82	163	204	225	215	222	262	214	236	296	200	212

a. Expressed in terms of oil equivalent; figures under column for 1938 relate to averages for the period 1934-1938.

b. Unit for cotton piecegoods changed from metres to square metres beginning 1950 for Malaya and beginning 1952 for Hong Kong.

c. Former British Provinces and Indian States.

d. 1936.

e. Average of 1935-1939.

f. Converted at 2.25 lb. per bag and 0.50 lb. per yard of cloth.

g. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1948 = 100^a

	1938	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
A. Unit Value													
BURMA ^a (Oct 1947–Sep 1948=100)													
Imports	29½	134½	96½	82	71	63	71	82	70	64	69	67	55
Exports	17½	108½	168½	163	174	173	176	168	151	..	137	136	..
CAMBODIA–LAOS–VIET-NAM ^b													
Imports	8	122	140	129	172	153	205	207	202	204	203	204	205
Exports	11	147	182	113	139	138	157	143	139	130	127	130	134
CEYLON													
Imports: General	23	98	116	125	114	122	120	121	116	112	110	115	110
Food, drink & tobacco	..	..	116	133	124	131	130	129	121	117	115	119	117
Raw materials & semi-manufactures	..	..	126	140	109	120	102	117	121	119	120	122	115
Manufactures	..	..	114	116	105	109	109	108	108	103	101	108	100
Exports: General	32	144	175	136	139	141	135	138	144	146	148	146	143
Tea	37	127	132	116	124	125	120	125	139	147	148	146	146
Rubber	56	222	367	255	223	226	217	206	177	169	169	179	159
All coconut products	14	144	169	105	126	131	125	125	134	122	131	117	117
INDIA ^c (Apr 1948–Mar 1949=100)													
Imports: General	26½	104	128	130	116	119	110	112	115	115	115	114	115
Food, drink & tobacco	..	104	118	139	118	129	110	117	120	137	130	147	134
Raw materials & semi-manufactures	..	113	154	139	130	123	125	134	133	124	126	121	125
Manufactures	..	97	118	121	109	112	103	104	106	104	104	104	105
Exports: General	24½	110	160	131	111	112	112	112	109	109	106	109	111
Food, drink & tobacco	..	127	149	141	141	151	140	137	155	164	162	166	165
Raw materials & semi-manufactures	..	114	151	138	142	138	145	155	144	143	147	147	136
Manufactures	..	103	169	124	91	92	92	89	87	87	87	88	86
INDONESIA ^d													
Exports: General	31	177	265	537	424	435	392	362	402	403	398	398	412
Estate produce	38	185	273	615	498	507	469	438	451	452	446	446	463
Peasant produce	27	171	219	487	374	388	337	307	367	369	365	364	377
Forest produce	12	99	148	358	378	366	378	382	425	418	411	432	410
JAPAN ^e (1934-36=100)													
Imports: General	..	303	432	382	331	326	326	326	321	322	320	322	322
Food	..	302	353	364	347	347	343	333	320	308	312	311	301
Crude materials, inedible	..	343	538	418	349	340	346	351	352	360	355	362	363
Textile fibers	..	297	478	367	310	300	308	318	319	326	322	328	328
Metalliferous ore	..	218	420	441	341	343	329	326	327	317	316	314	320
Mineral fuels	..	254	352	433	345	355	341	350	328	332	339	314	342
Chemicals	..	220	368	364	325	291	274	292	272	275	245	282	297
Machinery & transport equipment	..	297	279	299	283	291	305	317	304	307	330	315	277
Exports: General	..	295	459	431	384	385	397	398	391	382	388	381	377
Food	..	341	342	360	366	364	379	388	402	403	402	405	403
Chemicals	..	345	413	409	398	410	448	467	485	453	454	459	446
Manufactured goods	..	296	474	425	360	364	370	374	363	384	365	366	360
Textiles	..	324	475	404	330	332	341	365	335	334	335	332	336
Base metals	..	231	471	450	380	387	384	390	388	382	382	395	370
Machinery & transport equipment	..	303	392	372	375	401	396	368	359	347	398	337	304
MALAYA ^f													
Imports	36	115	144	129	121	121	119	115	110	110	..	..	..
Exports	43	173	258	188	150	156	141	131	129	138	..	..	..
PAKISTAN ^g													
(Apr 1948–Mar 1949=100)													
Exports	..	89	119	88	62	60	62	61	68	65	67	65	64
PHILIPPINES (1948-1949=100)													
Imports ^h	..	95	108	106	101	104	99	99	98	100	100	101	99
Exports	30	93	99	78	95	99	90	93	94	85	87	84	85

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE (Cont'd)

1948 = 100^a

	1938	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
B. Quantum													
BURMA ^f (Oct 1947-Sep 1948=100)													
Imports	197½	94†	102†	155	149	143	164	152	146	191	162	172	240
Exports	254½	68†	71†	99	85	106	88	70	112	..	141	127	..
CAMBODIA-LAOS-VIET-NAM ^b													
Imports	85	151	189	166	158	165	159	142	143	143	136	149	143
Exports	259	88	132	126	133	98	129	186	147	147	133	178	150
CEYLON													
Imports: General	89	121	135	138	144	159	144	153	127	145	138	116	180
Food, drink & tobacco	..	..	115	114	124	134	117	133	107	131	125	95	172
Raw materials & semi-manufactures	..	..	133	114	152	219	218	176	181	175	141	130	254
Manufactures	..	..	163	177	172	187	170	177	146	160	156	145	180
Exports: General	80	110	112	117	120	117	123	123	119	122	104	131	130
Tea	80	101	103	106	113	119	118	109	119	137	111	149	152
Rubber	56	127	110	100	103	86	92	111	124	52	65	56	35
All coconut products	132	131	149	172	158	137	171	183	111	132	115	139	141
INDIA ^c (Apr 1948-Mar 1949=100)													
Imports: General	106½	88	108	105	84	97	90	75	78	88	87	94	83
Food, drink & tobacco	..	73	146	137	75	111	77	40	25	28	12	32	41
Raw materials & semi-manufactures	..	123	112	124	96	124	110	75	101	150	165	168	117
Manufactures	..	79	92	84	83	79	87	90	89	85	84	87	85
Exports: General	172½	115	114	106	109	99	106	121	111	95	81	97	107
Food, drink & tobacco	..	109	122	117	124	79	130	167	101	78	42	76	115
Raw materials & semi-manufactures	..	103	114	101	83	89	62	69	70	63	62	61	65
Manufactures	..	122	111	103	114	109	117	126	131	115	104	120	122
JAPAN ^e (1934-36=100)													
Imports: General	..	33	48	54	74	77	74	82	92	87	97	91	74
Food	..	48	66	76	82	91	70	99	123	125	146	124	104
Crude materials, inedible	..	33	47	48	69	71	72	74	77	74	78	80	65
Textile fibers	..	40	51	53	70	72	75	71	69	76	78	80	68
Metalliferous ore	..	25	65	85	147	155	149	176	191	188	200	204	160
Mineral fuels	..	32	69	82	127	117	121	133	136	122	134	136	96
Chemicals	..	35	28	34	59	70	75	65	81	80	110	75	56
Machinery & transport equipment	..	5	47	70	131	116	130	164	163	140	136	132	152
Exports: General	..	30	31	31	35	36	34	38	37	42	42	42	42
Food	..	20	26	36	45	47	46	42	38	38	42	36	35
Chemicals	..	12	24	27	43	53	20	43	30	58	60	62	53
Manufactured goods	..	36	40	38	37	36	36	42	45	46	49	45	44
Textiles	..	28	31	25	31	28	33	38	41	42	43	42	40
Base metals	..	128	123	157	95	97	79	89	98	95	118	84	82
Machinery & transport equipment	..	43	51	58	93	102	71	94	85	111	74	119	138
MALAYA ^f													
Imports	81	137	182	162	130	127	133	130	128	131	..	..	..
Exports	73	127	134	114	101	99	104	102	107	108	..	..	..
PHILIPPINES (1948-1949=100)													
Imports ^h	..	61	76	69	70	76	66	69	77	85	81	84	89
Exports	157	134	151	169	150	149	164	146	169	177	205	156	170

C. Terms of Trade

Percentage of unit value index of exports to unit value index of imports.

BURMA ^f	59½	81½	175½	199	245	274	249	205	209	..	199	203	..
CAMBODIA-LAOS-VIET-NAM	138	117	123	84	81	90	77	69	69	64	63	64	65
CEYLON	139	147	151	109	122	116	112	114	124	130	135	127	130
INDIA	86½	106	125	100	96	94	101	100	95	95	92	96	97
JAPAN	..	97	106	113	116	118	122	122	122	119	121	118	117
MALAYA	120	151	179	146	124	128	118	114	117	125	..	..	..
PHILIPPINES	..	97	92	73	94	95	91	93	96	85	87	83	85

a. Original base: Burma, 1 Oct 1951-30 Sep 1952; Cambodia-Laos-Viet-Nam, 1958 for quantum index and Jan-Jun 1959 for unit value index prior to 1952; Ceylon, 1934-38 for period prior to 1950 and 1948 since 1950; Indonesia, 1938; Malaya, 1938 for period prior to 1953 and 1952 since 1953; Philippines, 1937.

b. Beginning from 1952, new series with 1950 as 100.

c. Overland trade excluded.

d. Weighted index numbers of 18 export products at f.o.b. prices. Figures from Apr 1950 to Feb 1952 exclude the value of exchange

certificates. The rise beginning Feb 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar.

e. The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.

f. Figures from 1953, though linked to previous figures, have different treatment in imports and exports of petroleum products.

g. Index of f.o.b. export prices.

h. Based on f.o.b. import prices.

PRICES

10. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100^a

	1949	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
BURMA													
All agricultural produce	123	115	133	114	111	104	117	122	108	108	109	110	113
Cereals	96	98	104	99	93	91	97	98	84	92	92	90	95
Non-food agricultural produce	161	196	205	155	144	128	158	163	165	165	158	163	172
CHINA^b (Taipei, Jan-Jun 1950=100)													
General index	58	111	183	225	245	240	251	257	258	255	260	258	247
Food	58	104	140	173	222	216	236	242	250	242	251	246	230
Clothing	78	124	330	392	364	359	350	374	352	340	349	340	331
Fuel & light	51	118	156	190	214	214	218	220	221	228	227	228	228
Metals & electrical materials	49	115	218	270	259	261	254	261	258	260	258	260	261
Building materials	52	105	154	234	249	235	275	257	260	276	270	290	267
INDIA													
General index	104	109	120	105	107	108	111	107	108	107	110	108	104
Food articles	104	110	110	96	102	102	108	101	100	97	102	98	92
Industrial raw materials	108	117	141	105	107	109	112	104	110	107	110	108	102
Semi-manufactured articles	104	108	119	109	113	113	115	112	113	114	114	115	112
Manufactured goods	101	102	116	111	108	108	108	107	108	112	112	112	111
INDONESIA (Jakarta)													
General index (imported goods)	123	253	349	331	352	359	355	347	350	366	360	365	373
Provisions	90	180	295	368	438	433	453	458	455	459	459	460	458
Textile goods	194	351	319	260	292	303	290	272	273	288	283	284	296
Chemicals	88	221	373	341	377	391	380	369	383	392	390	392	394
Metals	95	220	381	388	369	381	367	351	343	366	360	367	372
JAPAN													
General index	163	193	268	273	277	274	278	282	288	280	284	280	277
Edible farm products	178	207	258	286	307	307	310	310	344	351	352	349	352
Other foodstuffs & tobacco products	164	159	175	180	178	174	176	183	186	184	185	184	184
Textiles	215	262	364	290	280	276	285	285	285	264	275	266	251
Chemicals	138	180	250	269	249	255	242	241	239	239	240	239	238
Metal & products	143	214	426	415	391	394	389	388	387	375	379	376	370
Building materials	141	165	243	266	323	306	339	357	362	338	352	334	328
Fuels	150	170	203	257	262	261	256	263	261	248	249	248	248
Producers' goods	155	200	308	317	316	314	317	321	322	308	314	308	302
Consumers' goods	172	185	225	227	235	232	236	240	252	251	253	250	249
KOREA (Pusan, Seoul, 1947=100)^c													
General index . . . . .	..	..	2,194*	4,751	5,951	5,858	6,070	5,970 ^c	6,059	6,388	6,065	6,369	6,730
Food grains . . . . .	..	..	2,064*	7,305	7,567	8,034	8,292	5,812	4,896	5,140	4,576	5,125	5,717
Textile raw materials . . . . .	..	..	1,795*	2,478	3,741	3,311	3,641	4,328	4,971	5,672	5,065	5,734	6,217
Textiles . . . . .	..	..	1,763*	2,052	3,048	2,432	2,855	4,248	4,150	4,592	4,212	4,497	5,067
Building materials . . . . .	..	..	2,616*	3,923	7,683	7,499	7,363	9,819	10,054	11,294	11,134	11,235	11,512
Fertilizers . . . . .	..	..	6,136*	7,987	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449	8,449
PHILIPPINES (Manila, 1949=100)													
General index	100	97	109	100	99	98	97	99	95	93	92	93	94
Food	100	89	98	95	90	88	90	90	86	86	84	86	87
Crude materials	100	108	113	90	112	110	104	112	108	96	96	97	96
Mineral fuels	100	100	107	113	108	109	107	106	106	106	106	106	106
Chemicals	100	101	130	111	108	110	105	104	105	105	106	106	102
Manufactured goods	100	119	156	125	114	115	113	113	111	111	111	111	112
Domestic products	100	93	101	93	93	92	92	94	90	87	86	88	88
Exported products	100	110	113	90	110	110	101	110	107	96	97	97	95
Imported products	100	122	153	136	129	130	127	127	126	126	126	126	127
THAILAND^d (Bangkok)													
General index	94	96	104	109	102	103	104	100	100	100	101	101	98
Agricultural produce	92	112	131	117	97	102	102	91	90	92	92	94	91
Foodstuff	93	88	88	106	108	108	109	106	106	106	109	107	101
Clothes	92	87	102	93	71	70	70	70	70	70	70	70	70
Fuel	90	96	103	105	104	103	105	106	105	101	98	98	106
Metal	139	122	143	137	102	101	101	104	103	98	99	99	96
Construction material	111	121	138	149	153	151	152	156	156	155	154	155	155
VIET-NAM (Saigon-Cholon, 1949=100)													
General index	100	98	117	132	152	142	168	168	157	155	157	155	154
Rice & paddy	100	84	90	141	157	149	167	163	130	120	123	122	116
Other food products	100	101	112	127	166	149	189	190	197	189	193	189	186
Fuel & mineral products	100	113	117	118	144	129	161	168	171	171	173	170	171
Raw materials	100	141	201	152	168	159	186	178	176	192	190	187	198
Semi-finished products	100	95	117	125	145	128	165	171	170	167	166	167	167
Manufactured products	100	84	113	99	116	108	130	133	137	143	143	143	143
Local products	100	101	119	142	160	150	174	171	155	152	154	151	150
Imported products	100	93	113	112	138	126	158	160	161	163	163	163	163

a. Original base: Burma, 1938-40; India Sep 1938-Aug 1939; Indonesia, 1938; Japan, 1934-36; Thailand, Apr 1938-Mar 1939.

b. New Taiwan dollar has been introduced since 15 Jun 1949. Index for 1949 relates to average of Jul-Dec.

c. Figures from 1949-1953 relate to Pusan, from 1954 onwards Seoul.

d. Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

11. INDEX NUMBERS OF COST OF LIVING 1948 = 100^a

PRICES

	1949	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
BURMA (Rangoon)													
All items	135	114	112	107	104	105	107	102	96	103	99	104	106
Food	142	120	120	115	111	112	116	111	103	113	108	114	117
CEYLON (Colombo)													
All items	99	105	109	108	110	109	113	110	109	110	108	110	111
Food	104	112	112	110	117	115	122	118	116	117	115	118	119
CHINA (Taipei, Jan-Jun 1950=100)													
All items	..	106	139	179	211	207	223	219	218	218	220	219	214
Food	..	100	109	139	176	180	192	183	185	185	189	188	178
HONG KONG													
All items	112	117	128	129	130	127	135	135	129	125	126	124	127
Food	119	127	136	136	143	136	152	152	142	134	136	133	135
INDIA													
All-India (Interim index)													
All items	103	103	107	105	108	109	113	107	105	105	105	105	104
Food	104	105	108	107	112	113	119	111	107	106	106	107	106
Bombay													
All items	101	103	109	111	120	120	123	120	117	118	117	117	121
Food	105	109	115	118	130	132	135	129	123	126	123	123	130
Delhi													
All items	100	100	108	108	106	105	109	108	105	106	107	108	102
Food	101	101	112	110	110	108	114	113	107	108	110	112	103
INDONESIA (Djakarta)													
Food	97	113	189	199	211	212	214	215	221	220	219	220	220
JAPAN (Urban)													
All items	132	123	143	150	160	157	162	167	170	171	171	170	171
Food	125	112	130	134	142	139	145	149	153	154	155	153	155
KOREA (Seoul, 1947=100)													
All items	195	565	..	4,841	7,384	6,925	7,782	8,273	8,701	8,506	8,961	8,270	8,288
Food	178	612	..	5,969	7,797	8,105	8,169	7,429	8,294	8,194	8,977	7,861	7,744
LAOS (Vientiane, Dec 1948=100) ^e													
All items	106	105	113	157	212	198	236	238	251	269	269	269	269
Food	103	99	102	153	218	196	254	247	257	278	278	277	279
MALAYA (Federation)													
Chinese													
All items	94	101	133	138	133	134	133	133	131	126	128	125	125
Rice & rice equivalents	90	84	89	95	100	100	100	100	97	91	92	90	90
Indian													
All items	94	99	132	136	131	132	131	128	123	118	119	119	117
Rice & rice equivalents	95	90	98	105	112	112	113	114	106	101	102	101	100
Malay (Jan 1949=100)													
All items	98	108	136	138	134	134	134	134	130	126	127	126	125
Rice & rice equivalents	98	97	104	110	118	118	120	120	112	106	108	106	105
PAKISTAN (Apr 1948-Mar 1949=100)													
Karachi													
All items	98½	95	99	101	112	112	112	112	112	109	111	109	107
Food	..	93	99	103	111	111	111	111	110	106	109	106	103
Narayanganj													
All items	103½	98	102	110	109	106	118	109	92	90	91	88	91
Food	..	97	101	112	109	105	119	108	84	87	84	79	84
PHILIPPINES (Manila)													
All items	94	91	97	93	87	86	87	87	84	85	83	85	86
Food	93	86	94	90	81	80	81	80	76	78	76	79	79
THAILAND (Bangkok)													
All items	96	99	110	123	135	131	141	140	140	140	143	141	138
Food	95	97	106	119	131	125	137	136	134	135	138	136	131
VIET-NAM (Saigon, 1949=100)													
All items	100	102	116	142	181	166	197	201	203	198	198	197	200
Food	100	96	104	141	178	171	190	187	188	182	180	181	184

GENERAL NOTE: All figures are applicable to working class except the following countries: China, public servants; Hong Kong, clerical and technical workers; Indonesia, government employee; Japan, whole population; Korea, urban working class; Laos, middle class; Thailand, low salaried workers and civil servants.

a. Original base: Burma, 1939; Cambodia, Jan-Jun 1939; Ceylon, Nov 1942 for 1943-52 and 1952 since 1952; Hong Kong, Mar 1947; India, 1944 for All-India and Delhi, Jul 1933-Jun 1934 for Bombay; Indonesia, 1938; Japan, 1951; Malaya (Chinese and Indian), Jan 1947; Philippines, 1941; Thailand, Apr 1938-Mar 1939.

EMPLOYMENT AND WAGES

12. EMPLOYMENT AND WAGES

Base for index Numbers, 1948^a

	1948	1950	1951	1952	1953	1953			1954					
						II	III	IV	I	II	Apr	May	Jun	
CEYLON														
Index of wages														
Tea and rubber estate workers ^b	100	119	147	149	151	149	152	152	150	150	149	149	151	
Government workers (Colombo) ^c	100	106	115	115	116	116	116	116	116	116	116	116	116	
Index of real wages														
Tea and rubber estate workers ^b	100	112	132	134	133	134	131	134	134	133	134	132	133	
Government workers (Colombo) ^c	100	102	106	106	98	99	96	98	99	98	100	98	97	
CHINA (Taiwan only)														
Employment ^d (1,000)														
Mining	78.9	43.0	50.4	56.1	57.3	55.7	58.5	57.3	54.4	51.4	53.9	53.7	51.4	
Manufacturing ^e	113.5	130.3	162.6	208.5	237.6 ^g	76.1	72.4	77.3	78.0	78.6	78.3	78.3	78.6	
Index of earnings ^f (1950=100)														
Mining	..	100	172	282	288	285	285	306	296	290	292	289	288	
Manufacturing	..	100	168	246	307	315	294	328	358	..	347	344	..	
Index of real earnings ^f (1950=100)														
Mining	..	100	116	146	132	129	128	140	134	138	132	137	144	
Manufacturing	..	100	113	127	140	142	132	150	162	..	157	164	..	
INDIA														
Employment ^h (1,000)														
Factories under Factory Act	2,360	2,504	2,537	2,443	2,508 ^u	..	..	..	..	..	..	..	..
Cotton mills	..	677	714	741	744	743	753	748	735	..	733	734	..	
Coal mines ^b	308	350	339	342	338	341	323	328	339	325	330	324	320	
Central government ⁱ	..	184	198	209	213	214	214	213	215	218	218	218	218	
Office workers	..	394	393	406	403	403	404	403	403	408	405	405	408	
Manual workers	..	..	..	..	..	..	..	..	..	..	..	..	..
Wages or earnings (Rs.)														
Cotton mills ^j (Bombay)	..	83.56	87.28	89.26	95.96	95.63	99.04	97.28	94.75	93.79	92.75	94.31	94.31	
Coal mines ^k (Jharia)	2.41 ^a	2.40 ^a	12.67	13.03	13.18	13.77	12.25	13.59	13.94	14.53	14.81	14.51	14.28	
JAPAN														
Employment ^m (Mn.)														
All industries	34.60	35.72	36.22	37.28	39.25	39.83	39.75	40.28	36.79	40.91	39.99	41.68	41.08	
Agriculture, forestry & hunting	16.37	17.41	16.17	16.37	17.13	18.23	18.21	17.76	13.81	18.07	16.46	19.01	18.75	
Other industries	18.22	18.31	20.05	20.92	22.12	21.60	21.54	22.32	22.98	22.84	23.53	22.68	22.32	
Mining	0.60	0.49	0.51	0.61	0.62	0.62	0.66	0.59	0.55	0.57	0.58	0.59	0.55	
Manufacturing	6.32	6.23	6.29	6.53	6.74	6.64	6.47	6.68	7.14	6.94	7.14	6.86	6.81	
Index of earnings ⁿ														
Mining	100	166	212	263	299	281	302	319	270	294	292	281	308	
Manufacturing	100	208	267	315	357	333	361	420	346	361	340	334	410	
Index of real earnings ⁿ														
Mining	100	135	148	175	187	180	186	192	159	173	171	166	181	
Manufacturing	100	170	187	210	222	212	223	252	204	212	199	197	240	
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	258	263	276	260	292	271	281	323	
KOREA														
Index of earnings ^f (Seoul)														
All industries	100	489	2,691	7,157	11,735 ^f	11,273	12,816	15,965	17,277	19,589	17,759	19,339	21,668	
MALAYA (Federation)														
Employment ^p (1,000)	461	462	499	505	497	..	..	..	..	..	..	..	..
PHILIPPINES														
Index of employment ^q (1949=100)														
Mining	..	120	143	150	138	142	144	121	110	109	110	109	109	
Manufacturing	..	98	99	99	109	108	106	109	118	116	118	116	113	
Index of wages ^r (Manila)														
Skilled	100	102	96	97	99	99	99	99	100	99	99	99	99	
Unskilled	100	91	99	105	108	108	108	109	107	106	107	106	107	
Index of real wage (Manila)														
Skilled	100	110	97	102	111	112	111	111	115	115	116	114	114	
Unskilled	100	99	101	112	122	123	123	123	125	123	126	122	123	
THAILAND														
Employment—Mining ^p (1,000)	10.42	13.46	14.37	14.94	16.07	16.66	15.77	14.94	14.02	14.18	14.15	14.22	14.17	
VIET-NAM														
Daily wages ^s (Saigon-Cholon, Pr.)														
Skilled	..	29.10 ^t	36.30	41.20	54.45	47.80	..	54.45	..	..	..	..	..
Unskilled (male)	..	14.40 ^t	20.50	22.80	31.75	25.50	..	31.75	..	..	..	..	..

a. Original base for wage or earnings index: Ceylon, 1939; Japan, 1947; Korea, 1936; Philippines, 1941.

b. Daily rates of minimum wages (basic wage plus special allowance).

c. Monthly rates of wages for unskilled manual workers in government employment.

d. Staffs and permanent workers employed by government-owned and private enterprises. Figures relate to end of period.

e. Private manufacturing industries is excluded from the monthly and quarterly index but included in the annual index.

f. Daily average of wages and allowances including payment in kind.

g. Daily averages.

h. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.

i. Employment in Central Government establishments excluding railways. Office workers comprise administrative, executive and clerical staffs; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.

j. Monthly minimum wages (basic wage plus dearness allowances).

k. Average weekly earnings (basic wage plus dearness allowances and other payments) of underground miners and loaders in coal mines.

m. Before August 1950, average for calendar week beginning first Sunday of each month. From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.

n. Average monthly cash earnings per permanent worker.

p. Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-53 relate to end of June.

q. Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.

s. Daily average wage rates of all classes of workers.

t. Average daily earnings in December.

u. First half only.

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1953			1954					
						II	III	IV	I	II	Apr	May	Jun	
BURMA (Mn. K.)														
Money supply	505	552	607	641	828	934	868	828	1,010	964	1,000	987	964	
Currency: net active	335	358	398	413	506	583	537	506	688	624	677	658	624	
Deposit money	169	194	210	228	322	351	331	322	323	340	323	328	340	
Loans, advances and bills dis-														
counted (commercial banks) .	68	130	159	151	142	130	130	142	164	144	153	155	144	
Bank clearings	151	138	151	181	234	247	242	217	261	225	250	215	210	
Foreign assets of the Union Bank														
of Burma ^a	358	556	748	920	991	1,129	1,045	991	920	864	922	861	864	
Rates of interest (% per annum)														
Call money rate . . . . .	..	..	1.04	1.64	1.10	1.08	0.75	0.58	0.92	1.00	1.00	1.00	1.00
Yield of long term gov't bonds	..	3.00 ^a	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
Internal gov't debt ^b held by														
Union Bank of Burma	16	20	22	16	6	6	6	6	6	6	6	6	6	
Commercial banks	8	27	31	25	68	52	71	68	61	86	63	81	86	
Gov't deposits and cash in hand														
Central gov't deposits with the														
Union Bank of Burma . . .	2	57	77	50	4	81	4	4	59	2	41	—	2	
Cash in Government Treasury	15	5	5	3	11	4	4	11	9	8	9	8	8	
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr.)														
Money supply . . . . .	..	..	..	10.92	12.52	12.26	11.56	12.52	14.02	13.75	13.70	13.66	13.75
Currency: in circulation . . .	..	..	..	7.67	9.19	8.13	8.55 ^r	9.19	10.25	10.61	10.30	10.41	10.61
Deposit money														
(commercial banks only) ^c	..	..	..	3.25	3.32	3.12	3.01	3.32	3.76	3.14 ^r	3.40	3.25 ^r	3.14 ^r
Loans and advances (commercial														
banks) . . . . .	..	..	..	1.01	1.67	1.49	1.48	1.67	1.71	1.68	1.83	1.77	1.64
Foreign assets of l'Institut														
d'emission . . . . .	..	..	..	0.68	1.67	0.91	0.89	1.67	2.39	2.39	2.38	2.67	2.39
Rate of interest (% per annum)														
Treasury bill rate . . . . .	..	..	..	2	2	2	2	2	2	2	2	2	2
States treasury bills outstanding ^d	..	..	..	0.30	1.20	0.93	1.05	1.20	1.25	1.28	1.25	1.25	1.28
CEYLON (Mn Rs.)														
Money supply	607	911	1,006	894	827	878	824	826	810	856	803	828	856	
Currency: net active	241	326	377	357	335	362	350	335	325	334	324	329	334	
Deposit money	366	585	629	538	492	516	474	492	485	522	479	499	522	
Loans, advances and bills dis-														
counted (commercial banks) .	..	182	257	241	253	244	223	253	258	289	253	258	289	
Bank clearings	391	549	691	688	671	645	723	642	648	625	573	650	651	
Foreign assets														
Central Bank of Ceylon . . .	460	565	668	401	245	294	302	245	329	446	392	417	446	
Government ^e	380	342	367	376	294	314	295	294	289	274	274	270	274	
Commercial banks	174	233	209	114	110	111	97	110	107	118	100	110	118	
Rates of interest (% per annum)														
Call money rate . . . . .	..	..	0.50 ^a	0.50	0.96	0.50	1.33	1.50	1.50	1.33	1.50	1.25	1.25
Treasury bill rate ^f	0.22	0.87	0.48 ^a	0.72	1.91	1.74	2.47	2.48	2.46	1.75	2.38	2.17	1.75	
Yield of long term gov't bonds ^g	2.94	3.04	2.81	2.93	3.85	3.60	4.38	4.38	4.07	3.65	4.07	3.99	3.65	
Internal government debt held by														
Central Bank of Ceylon . . .	..	19	17	161	223	255	216	223	126	48	79	61	48
Commercial banks	184	271	235	302	284	284	283	284	280	271	268	273	271	
Gov't deposits and cash in hand														
Government deposits with the														
Central Bank of Ceylon . .	..	12	31	6	—	—	—	—	—	15	—	6	15
Currency held by government	4	6	6	5	6	4	4	6	4	5	4	4	5	
CHINA (Taiwan only, Mn NT\$)														
Money supply . . . . .	..	690	790	1,129	1,469	1,127	1,239	1,469	1,394	1,623	1,390	1,437	1,623
Currency outstanding . . . .	..	288	473	705	943	724	768	943	870	926	857	895	926
Deposit money . . . . .	..	402	317	424	526	403	471	526	524	697	533	542	697
Loans, advances and bills dis-														
counted (banks other than the														
Bank of Taiwan) ^h . . . . .	..	84	138	342	625	476	520	625	723	779	751	768	779
Bank clearings . . . . .	..	138	418	862	1,740	2,087	1,813	1,598	1,468	1,596	1,534	1,575	1,679
Rate of interest (% per annum)														
Call money rate . . . . .	..	16.42	10.80	10.80	9.0	10.80	7.20	7.20	7.20	7.20	7.20	7.20	7.20
Government deposits held by the														
Bank of Taiwan . . . . .	..	349	626	776	1,173	930	1,130	1,173	1,337	1,301	1,375	1,352	1,301
HONG KONG (Mn HK\$)														
Money supply . . . . .	..	..	..	..	..	..	..	..	..	..	..	..	..
Currency outstanding (notes) .	783	808	800	802	802	801	803	802	804	726	724	724	726	
Bank clearings	689	1,199	1,506	1,195	1,035	1,033	933	1,065	1,036	1,104	1,121	1,092	1,098	

FINANCE

13. CURRENCY AND BANKING (Cont'd)

	1948	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
INDIA (1,000 Mn Rs.)													
Money supply	18.84 ^z	18.34	17.73	16.83	17.15	17.40	16.70	17.15	18.45	18.10	18.49	18.40	18.10
Currency: net active	12.17 ^z	12.03	11.70	11.22	11.53	11.66	10.99	11.53	12.18	12.10	12.49	12.40	12.10
Deposit money	6.67 ^z	6.30	6.03	5.61	5.62	5.74	5.71	5.62	6.27	6.00	6.01	6.00	6.00
Advances and bills discounted ¹ (scheduled banks)	4.42	4.45	5.54	4.85	4.61	5.10	4.60	4.61	5.38	5.28	5.63	5.52	5.28
Bank clearings	5.55	5.25	6.56	5.71	5.49	5.50	5.28	5.55	6.01	5.68	6.26	5.61	5.17
Gold and foreign assets of the Reserve Bank of India	10.67	8.74	8.21	7.46	7.63	7.53	7.39	7.63	7.93	7.84	7.92	7.91	7.84
Rates of interest (% per annum)													
Call money	0.50	0.58	1.01	2.02	2.12	2.62	1.46	1.54	2.88	2.83	2.88	2.88	2.75
Yield of long term gov't bonds ² Internal government debt held by Reserve Bank of India ^k . . . . .	..	3.11	3.39	3.69	3.64	3.64	3.65	3.65	3.63	3.65	3.64	3.67	3.65
Scheduled banks	4.38	5.40	5.77	5.53	4.98	5.44	5.08	4.98	4.88	5.07	4.89	4.98	5.07
Non-scheduled banks	4.26	3.57	3.06	3.23	3.36	3.14	3.34	3.36	3.19	3.27	3.23	3.24	3.27
Government deposits held by the Reserve Bank of India	0.11	0.10	0.09	0.21	0.14	0.18	0.20	0.14	0.20	0.21	0.21	0.21	0.21
..	2.14	1.64	2.10	1.75	1.10	1.30	1.37	1.10	0.66	1.64	0.87	1.01	1.64
INDONESIA (Mn Rp.)													
Money supply	3,008	4,392	5,132	6,719	7,642	7,204	7,467	7,642	8,014	8,814	8,083	8,510	8,814
Currency: net active	1,643	2,582	3,328	4,349	5,218	5,021	5,084	5,218	5,335	6,115	5,534	6,123	6,115
Deposit money	1,365	1,810	1,804	2,370	2,424	2,184	2,383	2,424	2,680	2,698	2,549	2,387	2,698
Loans, advances and bills dis- counted (all banks) ^m	266	682	2,152	2,445	2,394	2,624	2,482	2,394	2,605	3,661	2,719	2,813	3,661
Gold and foreign assets of the Java Bank ⁿ	547	1,349	1,939	1,780	2,397	3,233	2,521	2,397	2,143	1,752	1,897	1,860	1,752
Advances to government by the Java Bank . . . . .	..	2,761	1,317	4,555	5,272	3,678	4,716	5,272	6,126	7,249	6,374	6,628	7,249
Gov't deposits with the Java Bank ..	..	..	..	495	495	495	495	495	495	495	495	495	495
JAPAN (1,000 Mn Y.)													
Money supply	696	866	1,266	1,636	1,826	1,475	1,589	1,826	1,685	1,634	1,644	1,624	1,634
Currency: in circulation	338	409	492	554	610	484	487	610	499	505	516	490	505
Deposit money	357	557	774	1,082	1,216	991	1,102	1,216	1,186	1,129	1,128	1,134	1,129
Loans, advances and bills dis- counted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,257	2,417	2,563	2,567	2,628	2,580	2,606	2,628
Bank clearings	236	808	1,232	1,624	2,080	1,913	1,944	2,367	2,347	2,366	2,411	2,327	2,360
Gold and foreign assets													
Bank of Japan . . . . .	..	..	..	18	18	18	18	18	18	18	18	18	18
Government . . . . .	..	204	334	379	304	312	321	304	249	246	245	243	246
Other banks . . . . .	..	2	1	23	44	38	44	44	38	35	36	35	35
Rates of interest (% per annum)													
Call money rate (Tokyo) . . . . .	..	6.40	7.12	8.05	7.82	8.15	7.67	7.30	7.30	8.03	8.03	8.03	8.03
Yield of long term gov't bonds ^p Internal government debt held by Bank of Japan ^q . . . . .	..	..	5.50	5.50	6.68	5.50	6.71	9.03	9.05	6.32	6.32	—	6.32
All other banks	331	200	166	324	326	184	176	326	191	204	211	230	204
..	80	37	38	39	46	36	38	46	46	46	46	46	46
Government deposits with the Bank of Japan	14	48	32	92	60	116	129	60	108	63	42	66	63
KOREA (South, 1,000 Mn H.)													
Money supply	0.53	2.52	6.50	12.13	26.51	15.10	21.34	26.51	30.35	38.07	33.28	35.22	38.07
Currency: in circulation	0.41	2.23	5.39	9.74	22.43	12.28	17.31	22.43	24.17	30.31	25.27	27.46	30.31
Deposit money	0.12	0.29	1.10	2.39	4.08	2.82	4.04	4.08	6.18	7.76	8.01	7.76	7.76
Loans, advances and bills dis- counted ^a	0.43	0.46	1.93	5.78	15.41	9.96	12.28	15.41	16.62	13.03	11.02	11.82	13.03
Bank clearings	0.21	0.41	2.40	13.69	21.37	17.97	21.19	30.90	34.51	46.43	47.65	44.05	47.59
Gold and foreign assets													
Bank of Korea . . . . .	..	0.78 ^r	2.34	4.79	18.38	6.24	6.12	18.38	18.77	19.07	19.48	19.34	19.07
Government ^t . . . . .	..	0.58	1.79	2.64	2.68	1.28	1.08	2.68	1.99	3.02	2.62	2.51	3.02
Internal government debt held by Bank of Korea ^u . . . . .	..	3.76	8.42	11.96	24.11	18.36	23.48	24.11	34.12	41.82	40.43	38.76	41.82
All other banks . . . . .	..	..	0.06	0.14	0.54	0.32	0.44	0.54	0.60	0.77	0.57	0.74	0.77
Treasury deposits with the Bank of Korea	0.11	0.85	1.86	6.01	12.32	11.41	14.04	12.32	17.51	11.95	15.67	11.95	11.95
MALAYA (Mn M\$)													
Money supply	899	1,402	1,731	1,620	1,486	1,500	1,451	1,486	1,503	1,488	..	..	1,488
Currency notes: net active ^v	302	515	654	630	651	613	620	651	621	622	..	..	622
Deposit money	598	887	1,077	989	835	887	831	835	882	867	873	855	867
Loans and advances of commer- cial banks	259 ^r	461 ^r	451 ^r	484	437	450	466	437	469	461	477	477	461
Debits to current deposit accounts Federation Treasury bills held by banks . . . . .	..	..	4,167	3,396	2,946	2,902	2,850	2,829	2,682	2,766	2,671	2,941	2,686
..	30	23	26	14	10	12	11	10	10	10	10	10	10

13. CURRENCY AND BANKING (Cont'd)

FINANCE

	1948	1950	1951	1952	1953	1953			1954				
						II	III	IV	I	II	Apr	May	Jun
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,387	3,382	3,568	3,706	3,671	3,732	3,704	3,671
Currency: in circulation	1,708	1,992	2,467	2,151	2,372	2,239	2,172	2,372	2,496	2,418	2,474	2,448	2,418
Deposit money ^v	990	973	1,288	1,069	1,196	1,149	1,210	1,196	1,211	1,253	1,258	1,256	1,253
Loans, advances and bills dis- counted (scheduled banks)	410	770	919	792	781	656	640	781	828	789	849	832	789
Bank clearings ^w	326*	460	551	534	536	491	517	582	615	492	460	449	567
Gold and foreign assets of the State Bank of Pakistan ^x	1,629	1,188	1,627	933	935	931	935	935	1,065	945	1,029	993	945
Rates of interest (% per annum)													
Call money rate . . . . .	..	0.99	0.94	2.10	1.01	0.77	0.25	0.68	2.04	0.86	1.50	0.81	0.28
Yield of long-term gov't bonds ^y . . . . .	..	2.96*	2.98	2.98	3.06	3.01	3.10	3.14	3.14	3.13	3.14	3.13	3.13
Internal government debt held by the State Bank of Pakistan	176	811 ^f	864	1,214	1,250	1,228	1,153	1,250	1,300	1,419	1,312	1,363	1,419
Government deposits with the State Bank of Pakistan	923	661	582	377	216	371	417	216	325	172	146	130	172
PHILIPPINES (Mn P.)													
Money supply	1,145	1,148	1,053	1,089	1,105	1,045	1,049	1,105	1,124	1,070	1,103	1,086	1,070
Currency: net active	571	669	639	624	661	592	608	661	655	630	652	644	630
Deposit money	574	479	414	465	444	453	440	444	470	440	451	444	440
Loans, advances and bills dis- counted (all banks other than the Central Bank)	511	533	685	694	773	727	733	773	769	792	767	794	792
Bank clearings	381	462	457	480	520	519	623	528	568	558	556	567	553
Debits to checking accounts	772	674	733	686	743	766	727	732	806	830	763	862	865
Gold and foreign assets													
Central Bank of the Philippines	800	592	488	472	481	486	486	481	482	493	476	491	493
Other banks	126	148	145	162	134	135	144	134	175	128	162	141	128
Internal government debt held by Central Bank of the Philippines . . . . .	..	158	242	235	230	232	228	230	240	240	263	248	240
Other banks	13	41	35	56	58	58	55	58	57	87	58	74	87
Gov't deposits and cash in hand													
Deposits with Central Bank . . . . .	..	19	153	98	45	130	92	45	48	50	47	59	50
Deposits with Philippine National Bank . . . . .	..	81	46	59	95	74	89	95	100	124	101	118	124
Cash in Treasury vaults . . . . .	..	4	6	7	5	4	3	5	4	4	4	4	4
THAILAND (Mn Baht)													
Money supply	2,881	3,967	4,907	4,932	5,438	5,062	5,145	5,438	5,686	5,420	5,736	5,540	5,420
Currency: net active	2,205	3,043	3,756	3,678	4,016	3,782	3,823	4,016	4,172	4,039	4,133	4,079	4,039
Deposit money	676	924	1,151	1,254	1,422	1,280	1,322	1,422	1,514	1,381	1,603	1,461	1,381
Loans, advances and bills dis- counted (commercial banks)	414	592	741	1,202	1,649	1,575	1,659	1,649	1,781	1,846	1,814	1,970	1,846
Bank clearings	774	1,544	2,057	2,270	2,366	2,328	2,326	2,250	2,367	2,367	2,083	2,247	2,150
Debits to sight deposit accounts . . . . .	..	1,973	2,786	2,989	3,196	3,208	3,098	2,999	3,432	2,980	2,884	2,951	3,104
Gold and foreign assets of the Bank of Thailand	2,180	3,641	4,511	4,434	3,782	4,126	4,123	3,782	3,641	3,320	3,584	3,437	3,320
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2.10	2.17	2.25	2.25	2.24	2.30	2.27	2.25	2.24	2.26	2.24
Internal government debt held by Bank of Thailand	18	155	166	261	247	251	220	247	281	278	263	288	278
Commercial banks	150	116	118	102	174	83	120	174	129	151	133	94	151
Government deposits with Bank of Thailand	392	317	423	396	698	540	615	698	642	671	547	700	671

GENERAL NOTES: All figures, other than bank clearings and rates of interest, relate to the end-of-month, end-of-quarter and end-of-year respectively: bank clearings relate to monthly totals and their averages. *Net active currency:* Total currency outstanding less holdings in all banks including the central bank and in government treasuries. *Currency in circulation:* Total currency outstanding less holdings in all banks including the central bank. *Deposit money:* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted:* Excluding treasury bills. *Bank clearings:* Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets:* Gross holdings of gold, foreign exchange and other liquid foreign investments. *Rates of interest:* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate:* Relates to inter-bank rate on money at call.

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.

b. Treasury bills and 3 year and 5 year government bonds.

c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortization Fund.

d. Treasury bills of Cambodia and Viet-Nam only.

e. Includes War Loan re-lent to U.K. Government, less the part by Central Bank.

f. Weighted average of tender rates on bills issued within the period.

g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date.

h. Includes the Land Bank, Cooperative Treasury and three commercial banks.

i. Includes bills purchased.

j. Yield of 3 per cent paper (running yield) to earliest redemption date.

k. Includes loans & advances to government.

m. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks.

n. Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 13 May 1953 respectively.

p. Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated. Figure for 1951 relates to average of 4 months Sep-Dec.

q. Includes advances to government.

r. Excluding the Bank of Korea, Reconstruction Bank and trust account of the trust Bank.

t. Figures shown are on a net basis.

u. Figures include British Borneo.

v. Prior to April 1952 includes inter-bank liabilities.

w. Figures relate to 1948 and 1949 to 3 clearing houses in principal towns, from Jan 1950-Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns.

x. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.

y. Yield to maturity of 3 per cent bonds 1968.

z. March.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE THIRD AND FOURTH QUARTERS 1954

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
Burma—China (Mainland)	Not specified	Burma will export 150,000 long tons of rice to China probably during 1955 in addition to other commodities specified in the agreement signed on 22 April 1954. (See <i>Bulletin</i> Vol. V, No. 1).	Payment is to be made in pound sterling.	Signed in November 1954. This is a supplementary trade protocol to the Three-Year Trade Agreement which is valid until April 1957.
Burma—Indonesia	Through 1954-56	Burma to export 20,000 long tons of rice during 1954, and a minimum of 10,000 tons and maximum of 50,000 tons during each of the next two years. The prices per long ton FOB of Ngasein SMS rice were agreed as follows: (a) K. 666.57 for 1954, (b) K. 640.00 for 1955 and (c) K. 613.13 for 1956. Prices for other qualities would be reduced proportionately in relation to the above prices.	Not specified.	Signed in Rangoon on 25 June 1954. A sale contract for 1954 was also signed on the same day. Shipment would commence in July.
Ceylon—China (Mainland)	Not specified	Ceylon: 50,000 metric tons of rubber at 27 pence per lb. China: 27,000 metric tons of rice, at \$39 per metric ton.	Payment is to be made in pound sterling.	Signed in Peking in October. The price agreed on is 7 pence higher than the world market. Ceylon produces about 100,000 tons of rubber annually and half of the production has been going to China for the past three years.
India—China (Mainland)	1954-56	Total: not specified. India: tobacco, ores, chemicals, drugs, medicines, electrical appliances, machinery, and machine tools, etc. China: soybeans, machine tools, machinery, medical apparatus, antimony, graphite, teakwood, wool, hides and skins and paper.	Payment is to be made either in pound sterling or in Indian rupees.	Signed in New Delhi on 14 October 1954. This is the first trade agreement concluded on the governmental level. (See <i>Bulletin</i> , Vol. V, No. 2).
Indonesia—China (Mainland)	1 September 1954—31 July 1955	Total: 6 million pound sterling (\$17 million) each way. Indonesia: copra, coconut oil, sugar, coffee, quinine, timber, pepper, palm oil, citronella oil, rattan, sisal and forestry products. China: cotton piecegoods, weaving yarn, cotton knitted goods, rayon, textile machine engines, machine tools and other machinery, chemicals, newspaper, paper and stationery, sport articles, glass and chinaware, salted fish, food and drinks.	Open account based on pound sterling. The People's Bank of China and the Bank of Indonesia will open sterling accounts with each other to cover imports and exports between the two countries. Any deficit at the end of any trading period will be settled in pound sterling.	Signed in Djakarta on 1 September. The agreement provides for automatic extension for another year if neither party gives notice of termination three months prior to the date of expiry.
Indonesia—Japan	Till end of November 1954.	Total: \$15 million. Indonesia to export 125,000 tons of sugar to Japan at \$115 c.i.f. per ton.	Payment is to be made in U.S. dollars.	Japan's imports from Indonesia which has been sluggish are expected to be boosted by this agreement.
Pakistan—Japan	15 September 1954—14 September 1955	Total: \$28 million worth of goods each way. Pakistan: cotton, jute, hides and skins, cotton lint, rock salt, etc. Japan: textiles, cotton yarn, iron and steel, non-ferrous metal, chemicals and other manufactures.	Payment is to be made in pound sterling.	Signed on 30 September 1954. The agreement, being retroactive from 15 September, will be valid for one year and is subject to ratification by the two governments. (See <i>Bulletin</i> Vol. IV, No. 3).
Pakistan—Philippines	Till end of December 1954.	Pakistan to export 30,000 tons of rice to the Philippines before the end of the year.	Payment is to be made in U.S. dollars.	Signed in Karachi on 4 September 1954.
Thailand—Japan	1 September 1954—31 August 1955	Total: \$65 million each way. Thailand: rice, agricultural produce, salt, timber, rubber, tin and other minerals, sticklac, hides and skins, etc. Japan: textiles, machinery, electrical appliances, metals, construction materials, chemicals, Diesel engines, transport equipment, etc.	Open account based on U.S. dollars. A "swing limit" of \$5 million and payable on demand of the creditor party remains as provided in the previous agreement. (See <i>Bulletin</i> , Vol. IV, No. 3).	Notes expressing the desire to extend the 1953 agreement for another year were exchanged on 11 September 1954. The negotiation which was initiated by Thai Delegation on 26 October 1954 resulted in Japan agreeing to purchase during the trading year 1954/55 no less than 400,000 tons rice from Thailand.

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES

Ceylon—Egypt	Under negotiation	Total: not specified. Ceylon: tea. Egypt: vegetables, phosphates, textiles, cotton yarn, etc.	Payment will be made in pound sterling.	Egypt imports annually about 60,000 lbs. of tea.
India—Germany (East)	One year	Total: Not specified. India: tea, coffee, tobacco, iron ore, raw cotton, cotton piecegoods, jute manufactures, silk, wool, shellac, leather manufactures. Germany: mining and textile machinery, tractors, chemicals, unexposed film, newsprint and machinery, equipment for chemical industries, etc.	Not specified.	An exchange of letters was effected on 16 October 1954.

**TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING
THE THIRD AND FOURTH QUARTERS 1954**

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES—(Continued)

Contracting parties	Period valid	Value of trade and principal exports	Methods of payment	Remarks
India— Italy	Till 31 December 1954	Total: not specified. India: tea, tobacco, coal, mineral ores, lac and shellac, raw goat and sheep skins, hydrogenated oils, essential oils, raw cotton waste, silk waste, drugs, medicines and pharmaceutical products, turpentine, leather footwear, carpets, bristols, glassware, handicrafts, etc. Italy: foodstuffs, artificial silk yarn and fabrics, clothing and accessories, rolling stock, ball bearings, agricultural machinery, industrial and electrical machinery, office equipment, motion picture equipment, raw and refined sulphur, etc.	Payment will be made in pound sterling.	Exchange of letters expressing desire to extend the 1952 agreement was effected in New Delhi in August. During the fiscal year 1953/54 ending on 31 March, India exported goods to the value of 51.2 million rupees and imported goods to the value of 230.7 million rupees.
India— Sweden	Till 31 December 1954	Total: not specified. India: raw cotton, cotton textiles, jute goods, hemp, cotton waste, leather goods, essential oils, tea, coffee, tobacco, shellac, iron ores and coal. Sweden: cement, chemicals, tallow, forest products, iron and steel, machinery and equipment, office equipment, precision instruments, radios and phonographs.	Payment will be made in pound sterling.	Exchange of letters expressing desire to extend the existing agreement was effected on 8 June. India will continue to treat Sweden on the same footing as any other country within the soft currency group. (See <i>Bulletin</i> , Vol. II, No. 1).
Indonesia— France	Through 30 September 1955	Total: Indonesia will export 12,000 million francs worth of goods. France will export 8,400 million francs worth of goods. Indonesia: rubber, tin, copra, coffee and tobacco, etc. France: machinery, chemicals, pharmaceuticals, metalwares, textiles, and transport equipment.	Method of payment or currency medium has not been specified. It is probable that trade will be conducted on a credit basis. France has agreed to grant credit facilities to Indonesia up to the equivalent of Rp. 400 million (\$35 million). Part of this credit will be devoted to industrial development.	Signed in June 1954 and the agreement will be valid through 30 April 1955. (See <i>Bulletin</i> Vol. IV, No. 2).
Japan— Germany (West)	1 October 1954—30 Sept. 1955	Total: Japan will export \$56.5 million worth of goods and \$10 million in transit trade. Germany will export \$46.5 million worth of goods. Japan: textiles, raw silk, chemicals, whale oil, possibly a certain quantity of steel, etc. Germany: machines, fertilizer, pharmaceuticals, motor cars, etc.	Open account based on U.S. dollars.	Signed in Tokyo on 22 October 1954. In 1953/53 trading which ended on 31 July 1954, Japan exported to Germany \$19 million and imported \$47 million worth of goods.

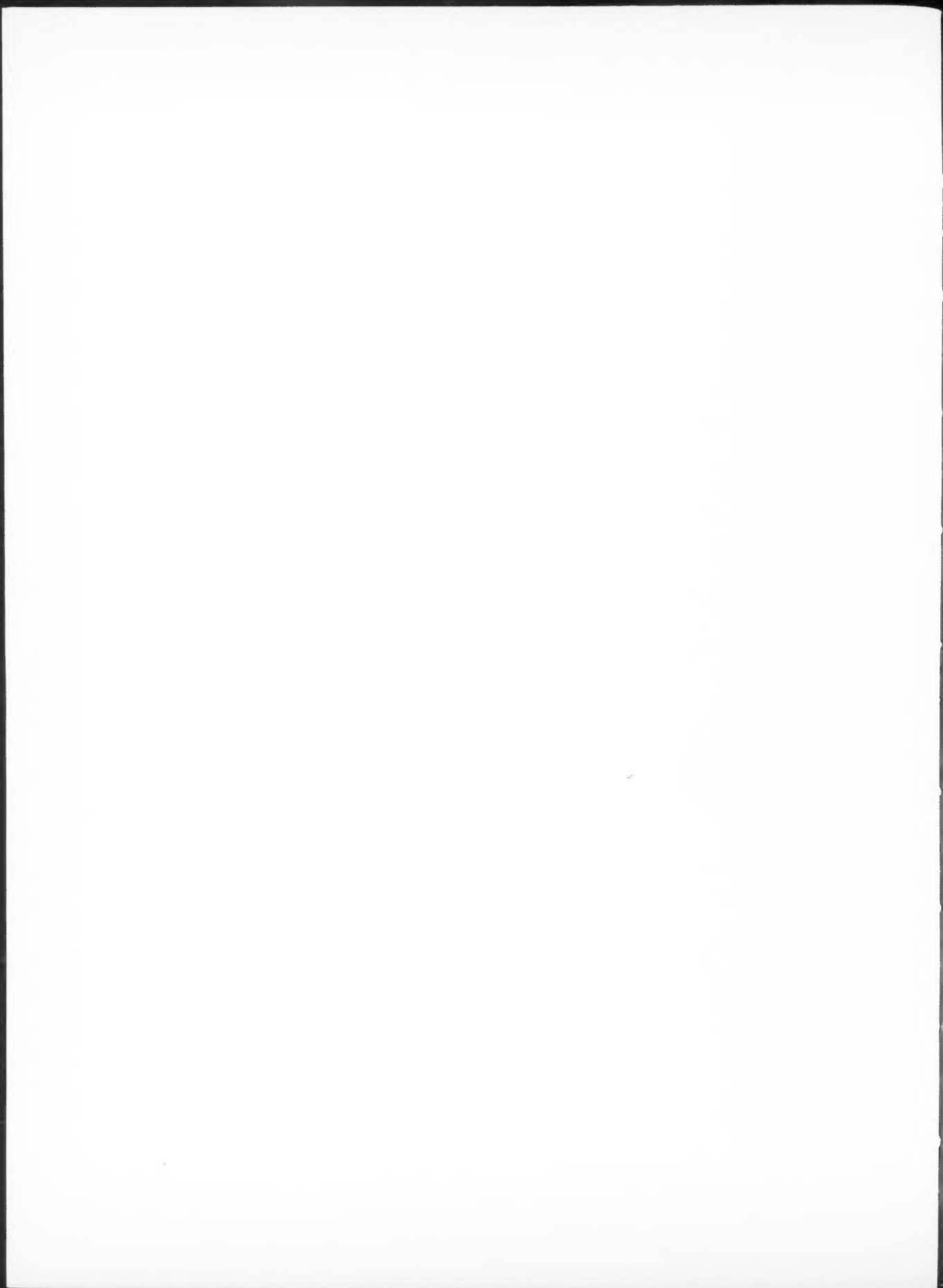
CORRIGENDUM TO ARTICLE ON

“GAINS FROM TRADE IN ECAFE COUNTRIES, JULY 1950 TO JUNE 1953”

ECONOMIC BULLETIN FOR ASIA AND THE FAR EAST,

Volume V, No. 1, May 1954

For the figures in the columns under the headings “total” of table 4 on page 28,
please substitute figures in table 3-A on page 27.



UNITED



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